

Q U A R T E R L Y R E P O R T

Open Joint-Stock Company "Uralsvyazinform"

Code of the issuer:

0	0	1	7	5
---	---	---	---	---

 -

A

for the 2-nd quarter 2007

Domicile: 11, Moskovskaya St. Ekaterinburg, 620014 Russia

The information in this quarterly report is disclosed pursuant to applicable law of the Russian Federation on securities

Acting General Director
(Order dd. August 10, 2007 №1172)
Date «13» August 2007

(signature) I.D. Bychkov

Deputy Chief Accountant
Date «13» August 2007

(signature) I.A. Tripuk

Seal

Contact person: Ms Julia S. Khelemendik
Equity Section Manager, Equity and IR Department
Tel: +7 (343) 379 1861
Fax: +7 (343) 379 1290
E-mail: khelemendik-yus@gd.usi.ru

The information disclosed in this quarterly report is posted at:
<http://www.usi.ru/shareholders/accounts/information/reports/>

CONTENTS

CONTENTS.....	2
INTRODUCTION.....	5
I. BACKGROUND OF PERSONS-MEMBERS OF THE ISSUER’S GOVERNING BODIES, INFORMATION ON BANK ACCOUNTS, THE AUDITOR, APPRAISER, AND FINANCIAL ADVISER OF THE ISSUER, AND OTHER PERSONS WHO SIGNED THE QUARTERLY REPORT	6
1.1. MEMBERS OF THE ISSUER’S GOVERNING BODIES	6
1.1.1. <i>Members of the Issuer’s Board of Directors</i>	6
1.1.2. <i>Members of Collegiate Executive Body of the Issuer</i>	6
1.1.3. <i>Sole Executive Body of the Issuer</i>	7
1.2. BANK ACCOUNTS OF THE ISSUER	7
1.3. AUDITOR OF THE ISSUER.....	7
1.4. ASSESSOR OF THE ISSUER	8
1.5. ADVISERS OF THE ISSUER	9
1.6. OTHER PERSONS WHO SIGNED THE QUARTERLY REPORT.....	10
II. GENERAL INFORMATION ON FINANCIAL AND ECONOMIC STATUS OF THE ISSUER.....	11
2.1. FINANCIAL AND BUSINESS PERFORMANCE OF THE ISSUER	11
2.2. MARKET CAPITALIZATION OF THE ISSUER	12
2.3. OBLIGATIONS OF THE ISSUER.....	12
2.3.1. <i>Accounts payable</i>	12
2.3.2. <i>Credit history of the Issuer</i>	13
2.3.3. <i>Obligations of the Issuer appearing from the security provided to the third parties</i>	13
2.3.4. <i>Miscellaneous</i>	13
2.4. PURPOSES OF SECURITIES OFFERINGS AND AREAS OF USE OF THE FUNDS RAISED FROM PLACEMENT OF ISSUE SECURITIES.....	13
2.5. THE RISKS ARISING FROM ACQUISITION OF PLACED ISSUE SECURITIES	13
2.5.1. <i>Industry risks</i>	14
2.5.2. <i>Sovereign and regional risks</i>	14
2.5.3. <i>Financial risks</i>	15
2.5.4. <i>Legal risks</i>	16
2.5.5. <i>Risks pertaining to the Issuer’s operation</i>	16
2.5.6. <i>Bank risks</i>	17
III. DETAILED INFORMATION ON THE ISSUER.....	18
3.1. DETAILED PROFILE OF THE ISSUER.....	18
3.1.1. <i>Name of the Company</i>	18
3.1.2. <i>State registration of the Issuer</i>	18
3.1.3. <i>Creation and development of the Company</i>	18
3.1.4. <i>Contact information</i>	19
3.1.5. <i>Taxpayer Identification Number</i>	19
3.1.6. <i>Branches and representative offices of the Issuer</i>	19
3.2. CORE BUSINESS ACTIVITIES OF THE ISSUER	20
3.2.1. <i>Industry classification of the Issuer</i>	20
3.2.2. <i>Core business activities of the Issuer</i>	20
3.2.3. <i>Raw materials and suppliers of the Issuer</i>	23
3.2.4. <i>Market outlets of the Issuer</i>	23
3.2.5. <i>Licenses granted to the Issuer</i>	24
3.2.6. <i>Issuer’s activities in co-operation with the partners</i>	24
3.2.7. <i>Additional requirements imposed on the Issuers that are either incorporated investment funds, insurance enterprises, credit institutions, or mortgage agents</i>	25
3.2.8. <i>Additional requirements imposed on the Issuers involved in mining operation</i>	25
3.2.9. <i>Additional requirements imposed on the Issuers involved in telecommunications activities</i>	25
a) <i>Licenses for rendering telecommunications services</i>	25
b) <i>Telecommunications networks</i>	28
3.3. ISSUER’S PROSPECTIVE PLANS	29
3.4. ISSUER’S PARTICIPATION IN INDUSTRIAL, BANKING, AND FINANCIAL GROUPS, HOLDINGS, CONCERNS AND ASSOCIATIONS	30
3.5. DEPENDENT AND AFFILIATED COMPANIES OF THE ISSUER.....	31
3.6. COMPOSITION, STRUCTURE AND VALUE OF THE ISSUER’S FIXED ASSETS, PROSPECTS OF ACQUISITION, REPLACEMENT, RETIREMENT OF FIXED ASSETS, AS WELL AS ALL FACTS OF FIXED ASSETS ENCUMBRANCE.....	33

3.6.1. Fixed assets	33
IV. FINANCIAL AND BUSINESS PERFORMANCE OF THE ISSUER	36
4.1. ISSUER'S FINANCIAL AND OPERATING RESULTS	36
4.1.1. Profit and loss	36
4.1.2. Factors causing the change of Issuer's sales revenue and Issuer's profit (loss) on ordinary activities	36
4.2. ISSUER'S LIQUIDITY, SUFFICIENCY OF THE CAPITAL AND CURRENT ASSETS	37
4.3. AMOUNT AND STRUCTURE OF THE ISSUER'S CAPITAL AND CURRENT ASSETS	37
4.3.1. Amount and structure of the Issuer's capital and current assets	37
4.3.2. Financial investments of the Issuer	38
4.3.3. Intangible assets of the Issuer	39
4.4. POLICIES AND EXPENSES OF THE ISSUER TO THE SCIENCE AND TECHNOLOGY, LICENSES AND PATENTS, RESEARCH AND DEVELOPMENT	39
4.5. TREND ANALYSIS OF THE CORE BUSINESS OF THE ISSUER	40
4.5.1. Analysis of factors and conditions affecting Issuer's activity	41
4.5.2. Peers	42
V. DETAILS OF THE PERSONS - MEMBERS OF THE ISSUER'S GOVERNING BODIES, INTERNAL CONTROL AND SUPERVISORY BODIES; BRIEF OVERVUE OF THE ISSUER'S STAFF	44
5.1. STRUCTURE AND COMPETENCE OF THE ISSUER'S GOVERNING BODIES	44
5.2. DETAILS OF THE PERSONS - MEMBERS OF THE ISSUER'S GOVERNING BODIES	49
5.2.1. Information on the members of the Issuer's Board of Directors	49
5.2.2. Information on the members of the Issuer's collegiate executive body	52
5.2.3. Information on Issuer's sole executive body	55
5.3. REMUNERATION, BENEFITS AND/OR REIMBURSEMENT OF EXPENSES GRANTED TO THE MEMBERS OF THE ISSUER'S GOVERNING BODIES	55
5.4. STRUCTURE AND COMPETENCE OF THE ISSUER'S INTERNAL CONTROL AND SUPERVISORY BODIES	56
5.5. INFORMATION ON THE MEMBERS OF THE ISSUER'S FINANCIAL AND BUSINESS OPERATION CONTROL BODIES	58
5.5.1. Membership of the Issuer's Audit Commission	58
5.5.2. Information on the officers of the Issuer's Internal Audit Department	60
5.5.3. Information on members of the Audit Committee to the Issuer's Board of Directors	63
5.6. REMUNERATION, BENEFITS AND/OR REIMBURSEMENT OF EXPENSES GRANTED TO THE MEMBERS OF THE ISSUER'S FINANCIAL AND BUSINESS OPERATION CONTROL BODY	63
5.7. QUANTITY, EDUCATIONAL LEVEL AND STRUCTURE OF THE ISSUER'S STAFF. CHANGES IN QUANTITY OF THE ISSUER'S STAFF	64
5.8. INFORMATION ON ANY OBLIGATIONS OF THE ISSUER TO THE EMPLOYEES, THAT COULD CAUSE PROBABILITY OF THEIR PARTICIPATION IN THE ISSUER'S CHARTER (SHARE) CAPITAL	64
VI. INFORMATION ON THE ISSUER'S SHAREHOLDERS, AND INTERESTED-PARTY TRANSACTIONS EFFECTED BY THE ISSUER	65
6.1. TOTAL NUMBER OF THE ISSUER'S SHAREHOLDERS	65
6.2. INFORMATION ON THE ISSUER'S SHAREHOLDERS OWNING AT LEAST 5 PER CENT OF ITS CHARTER CAPITAL OR AT LEAST 5 PER CENT OF ITS ORDINARY STOCK, AND THE INFORMATION ON THE PARTISIPANTS OF SUCH HOLDERS OWNING AT LEAST 20 PER CENT OF THEIR CHARTER CAPITAL OR AT LEAST 20 PER CENT OF THEIR COMMON STOCK	65
6.3. INFORMATION ON THE SHARE IN THE ISSUER'S CHARTER (SHARE) CAPITAL OWNED BY THE GOVERNMENT OR MUNICIPAL BODIES; AVAILABILITY OF THE "GOLDEN SHARE"	66
6.4. RESTICTIONS IMPOSED ON PARTICIPATION IN THE ISSUER'S CHARTER CAPITAL	66
6.5. INFORMATION ON ALTERATIONS IN THE ISSUER'S SHAREHOLDERS OWNING AT LEAST 5 PER CENT OF ITS CHARTER CAPITAL OR AT LEAST 5 PER CENT OF ITS COMMON STOCK	66
6.6. INFORMATION ON INTERESTED-PARTY TRANSACTIONS EFFECTED BY THE ISSUER	69
6.7. AMOUNT OF ACCOUNTS RECEIVABLE	69
VII. ACCOUNTING REPORTS/FINANCIAL STATEMENTS OF THE ISSUER	71
7.1. ANNUAL FINANCIAL STATEMENTS OF THE ISSUER	71
7.2. QUARTERLY FINANCIAL STATEMENTS OF THE ISSUER FOR THE LAST ENDED REPORTING QUARTER	71
7.3. CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE LAST ENDED FISCAL YEAR	71
7.4. TOTAL VALUE OF EXPORT AND EXPORT SHARE IN THE TOTAL SALES VOLUME	71
7.5. INFORMATION ON THE VALUE OF THE ISSUER'S REAL ESTATE AND SUBSTANTIAL CHANGES IN THE ISSUER'S PROPERTY THAT OCCURRED AFTER THE END DATE OF THE LAST COMPLETED FISCAL YEAR	71
7.6. INFORMATION ON LITIGATIONS INVOLVING THE ISSUER, IN CASE THAT PARTICIPATION IN SUCH LITIGATIONS MAY SUBSTANTIALLY AFFECT FINANCIAL AND BUSINESS ACTIVITIES OF THE ISSUER	71
VIII. ADDITIONAL INFORMATION ON THE ISSUER AND THE ISSUE SECURITIES IT PLACED	73
8.1. ADDITIONAL INFORMATION ON THE ISSUER	73

8.1.1. Amount and structure of the Issuer's Equity Capital	73
8.1.2. Information on alterations that occurred in the structure of the Issuer's Equity Capital	73
8.1.3. Information on formation and utilization of reserve fund and other funds by the Issuer	74
8.1.4. Information on the procedure of convocation and conduction of the Meeting of the Issuer's supreme governing body.....	74
8.1.5. Information on commercial organizations in which the Issuer owns at least 5 per cent of the Charter Capital or at least 5 per cent of ordinary shares	76
8.1.6. . Information on major transactions effected by the Issuer	78
8.1.7. Credit ratings of the Issuer.....	78
8.2. INFORMATION ON EACH CATEGORY (TYPE) OF THE ISSUER'S SHARES.....	79
8.3. INFORMATION ON PREVIOUS SECURITIES ISSUES OF THE ISSUER OTHER THAN ISSUER'S SHARES	81
8.3.1. Information on outstanding securities issues	81
8.3.2. Information on default securities issues	83
8.4. INFORMATION ON THE PERSONS THAT PROVIDED GUARANTEE ON THE BONDS OF EACH SERIES	83
8.5. FULFILLMENT OF OBLIGATIONS ON BONDS OF EACH SERIES.....	83
8.6. INFORMATION ON ORGANIZATIONS THAT SETTLE BOOK-ENTRIES ON THE ISSUER'S ISSUE SECURITIES	84
8.7. INFORMATION ON LEGAL ACTS THAT GOVERN IMPORT AND EXPORT OF CAPITAL THAT MAY AFFECT THE DIVIDEND, INTEREST AND OTHER PAYMENTS TO NON-RESIDENTS	85
8.8. TAXATION OF YIELD ON THE ISSUER'S ISSUE SECURITIES THAT HAVE BEEN PLACED OR ARE BEING PLACED	85
8.9. INFORMATION ON DECLARED (ACCRUED) AND DISBURSED DIVIDENDS ON THE ISSUER'S SHARES, AS WELL AS YIELD ON THE ISSUER'S BONDS	87
8.10. MISCELLANEOUS	92
ANNEX 1. FINANCIAL STATEMENTS OF THE ISSUER AS OF THE 2ND QUARTER 2007 ACCORDING TO THE RUSSIAN ACCOUNTING STANDARDS	93
ANNEX 2. CONSOLIDATED FINANCIAL STATEMENTS OF OJSC 'URALSVYAZINFORM' AS OF THE YEAR ENDED DECEMBER 31, 2006, COMPILED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	95

Introduction

Basis for the Issuer's liability to disclose information in the form of Quarterly Report:

Disclosure of information in the form of Quarterly Reports is the liability of Open Joint Stock Company 'Uralsvyazinform' (further referred to as 'the Issuer', 'the Company') arising from sub-items б), в) item 5.1. of the Regulations of the RF Federal Financial Markets Service (FFMS) on disclosure of information by the issuers of issue securities, approved by FFMS Order dd. October 10, 2006№06-117/пз-н (as amended as of December 14, 2006), provided that:

– the Issuer performed registration of Securities Prospectuses with respect to the securities outstanding;

– the Issuer is a joint-stock company, created under privatization of a state-owned enterprise, pursuant to the Privatization Plan, so long as this plan was appropriately approved and on the date of its approval was regarded as Prospectus of the Issuer's shares, and the mentioned Privatization Plan allowed for alienation of the Issuer's shares to more than 500 owners.

This quarterly report contains estimates and forecasts of the authorized governing bodies of the Issuer regarding future events and/or activities, development prospects within the industry the Issuer operates in, and results of the Issuer's business activity, Issuer's prospects, probability of occurrences of certain events and undertaking certain actions. Investors are advised to not fully rely on the estimates and forecasts made by the Issuer's governing bodies, as actual results of the Issuer's activities in the future may differ from the forecasts due to the plenty of reasons. Purchase of the Issuer's securities carries inherent risks outlined in this quarterly report.

I. BACKGROUND OF PERSONS-MEMBERS OF THE ISSUER'S GOVERNING BODIES, INFORMATION ON BANK ACCOUNTS, THE AUDITOR, APPRAISER, AND FINANCIAL ADVISER OF THE ISSUER, AND OTHER PERSONS WHO SIGNED THE QUARTERLY REPORT

1.1. MEMBERS OF THE ISSUER'S GOVERNING BODIES

1.1.1. Members of the Issuer's Board of Directors

Chairman of the Board of Directors:

Evgeniy A. Chechelnitsky

Year of birth: **1973**

Members of the Board of Directors:

1. *Mikhail V. Batmanov*

Year of birth: **1978**

2. *Yuri A. Bilibin*

Year of birth: **1971**

3. *Alla B. Grigorieva*

Year of birth: **1967**

4. *Vladimir V. Dudchenko*

Year of birth: **1973**

5. *Yekaterina S. Erofteyeva*

Year of birth: **1975**

6. *Olga G. Korolyova*

Year of birth: **1950**

7. *Juliana Y. Sokolenko*

Year of birth: **1967**

8. *Vladimir A. Statyin*

Year of birth: **1959**

9. *Dmitry Y. Tushunov*

Year of birth: **1964**

10. *Anatoly Y. Ufimkin*

Year of birth: **1951**

1.1.2. Members of Collegiate Executive Body of the Issuer

Chairman of the Management Board:

Anatoly Y. Ufimkin

Year of birth: **1951**

Members of the Management Board:

1. *Sergey V. Akimenko*

Year of birth: **1964**

2. *Svetlana I. Balueva*

Year of birth: **1960**

3. *Sergey M. Bershev*

Year of birth: **1963**

4. *Igor D. Bychkov*

Year of birth: **1968**

5. *Oleg V. Efremov*

Year of birth: **1969**

6. *Valeryi A. Menshenin*

Year of birth: **1957**

7. *Dmitry I. Samoilov*

Year of birth: **1962**

8. *Vitalyi V. Stoyanov*

Year of birth: **1950**

9. *Valeryi A. Chernyshev*

Year of birth: **1951**

1.1.3 Sole Executive Body of the Issuer

General Director:

Anatoly Y. Ufimkin

Year of birth: **1951**

1.2. Bank accounts of the issuer

List of the bank accounts regarded by the Issuer as primary ones:

Full name of the bank / abbreviated corporate name of the bank	Address	Bank Taxpayer Identification Number	Russian Central Bank Identification Code (RCBIC) and correspondent account of the bank	Type of account	Issuer's account number
Joint-stock Commercial Savings Bank of the Russian Federation (OJSC), Zapadno-Uralsky Head Office / Sberbank of Russia, OJSC Zapadno-Uralsky Head Office	4 Ordzhonikidze St., 614990 Perm, Russia	7707083893	RCBIC 045773603 correspondent account 3010181090000000603	settlement account	40702810749020101137
				settlement account	40702810049020101332
				settlement account	40702810649020101376
				settlement account	40702810749020101360
				settlement account	40702810449020101369
				settlement account	40702810049020101426
				settlement account	40702810649020101389
settlement account	40702810149000101692				
Joint-stock Commercial Innovation Bank for telecommunications and information technologies development «Pochtobank» Closed Joint-stock Company / CJSC « Pochtobank»	68 Lenin St., 614096 Perm, Russia 614096	5902300019	RCBIC 045773705 correspondent account 3010181040000000705	settlement account	40702810700007230300
				settlement account	40702810300007230302

1.3. Auditor of the Issuer

Information on the Auditor nominated to perform audit of the Issuer's annual financial statements as of the present or completed financial year

Name: **Ernst and Young Limited Liability Company (Ernst and Young LLC)**

Address: **77 Sadovnicheskaya Embankment, building 1, Moscow, Russia, 115035**

Tel.: **7 (495) 705 9700**, fax: **7 (495) 755 9701**,

E-mail address: moscow@ru.ey.com

License to render audit services filed under # E 002138 was issued by the Decree #223 of the Russian Ministry of Finance dated September 30, 2002.

Ernst and Young LLC is a member of Non-commercial Partnership "Institute of Professional Bookkeepers and Auditors of Russia" (IPB of Russia).

Fiscal years in which Ernst and Young LLC accomplished independent research of accounting and financial statements of the Issuer: **2002, 2003, 2004, 2005, 2006.**

Factors that may challenge independence of the Auditor:

- participation of the Auditor (or any officials of the Auditor) in the Charter Capital of the Issuer: **no such participation;**
- granting of borrowed funds to the Auditor (any officials of the Auditor) by the Issuer: **no borrowed funds have ever been granted by the Issuer to the Auditor;**
- existence of close relationship (promotion of the Issuer's goods/services, participation in the joint business activity) and kinship with the Issuer: **no such relationship;**
- information on the Issuer's officials who simultaneously perform functions as the officials of the Auditor: **no such officials.**

Measures assumed by the Issuer to reduce impact of factors mentioned above: **due to the absence of factors challenging independence of the Auditor, such measures have not ever been undertaken by the Issuer or by the Auditor. Basic measure assumed by the Issuer to avoid such factors is conclusion of the Audit Services Provisions with essential conditions of the Auditor's independence.**

– Tender procedure: tender procedure aimed at the nomination of the Auditor is governed by "The Provision on Auditor nomination tendering process", the Auditor candidacy being recommended by the Board of Directors for approval by the General Shareholders Meeting of *Uralsvyazinform (the Provision was approved by Uralsvyazinform Board of Directors, Protocol of the session dd. January 26, 2007 #8);*

– procedure of recommendation of the Auditor candidacy for approval by the General Shareholders Meeting: **following the results of the tender, the Auditor candidacy shall be previously considered by the Board of Directors Audit Committee of the Issuer. After that the Auditor candidacy shall be recommended by the Board of Directors for nomination by the Annual General Shareholders Meeting. The Auditor is approved by the Annual General Shareholders Meeting.**

Procedure of determination of the Auditor's remuneration: **amount of remuneration paid to the Auditor is defined by the Company's Board of Directors (pursuant to item 10 article 65 of the Federal Law "On Joint-Stock Companies" dd. December 26, 1995 №208-Ф3 (as amended on July 27, 2006, including alterations dd. December 18, 2006 (further referred to as "The Federal Law "On Joint-Stock Companies"))) and is specified in the Agreement concluded between the Company and the Auditor. Amount of remuneration is calculated in accordance with the category of the Auditor's officers involved and time spent by the officers.**

Delayed and out-dated payments for the Auditor's services: **as of June 30, 2007 there are no delayed or out-dated payments for the services rendered by the Auditor.**

1.4. Assessor of the Issuer

Information on the Assessor(s) engaged by the Issuer in determination of market value of the securities being placed and outstanding securities (obligations on which were not discharged).

Name: **Limited Liability Company "Akkord-Invest"**

Address: **36/2, Arbat str., Moscow, 119002 Russia, division: 9, Krupskaya str., Ufa, 450077, Russia.**

Tel.: **(3472) 50-77-50**, Fax: **(3472) 51-11-19**, E-mail address: **investa@ufanet.ru**

License of the Assessor: **№003183 dd. January 23, 2002.** Term of the license: **effective until January 23, 2005.**

Services rendered by the Assessor: **assessment of the market value of an Issuer's ordinary registered non-documentary share and an Issuer's preference registered non-documentary share (Agreement №01/12/04 dd. December 3, 2004 between «Akkord-Invest» LLC and AB «IBG NIKoil» (OJSC) for assessment servicea; Agreement № 4/014/649 dd. October 15, 2004 between AB «IBG NIKoil» (OJSC) and OJSC 'Uralsvyazinform').**

Information on the Assessor(s) engaged by the Issuer in assessment of the market value of property set to the guarantee on the bonds placed by the Issuer or bonds to be placed by the Issuer, obligations on which haven't been discharged yet: **such an Assessor was not engaged.**

Information on the Assessor(s) engaged by the Issuer in assessment of the market value of fixed assets or real estate, the value which was re-estimated, provided that such re-estimation was reflected in other sections of the present Quarterly report: **such an Assessor was not engaged.**

Information on the Assessor(s) engaged by the Issuer in rendering other assessment services pertaining to the securities issuance: **such an Assessor was not engaged.**

1.5. Advisers of the Issuer

Information on the Securities Market Financial Adviser rendering relevant services to the Issuer on the basis of the Agreement: **such an Adviser was not engaged.**

Information on Securities Market Financial Advisers that rendered services to the Issuer pertaining to the issuance of securities circulating at presence, and put their signature to the Securities Prospectus:

1. Name: **Closed Joint-stock Company «Baltiyskoye Finansovoye Agentstvo» (“BFA”)**

Address: **10, Medikov prospekt, 197376, Saint-Petersburg, Russia**

Tel: **7 (812) 329 8181**, fax: **7 (812) 329 8180**

Internet page used by the Financial Adviser for disclosure of information on the Issuer:

<http://www.bfa.ru/>

Licenses:

License for broker operations: **№078-06789-100000 dd. June 24, 2003, open-ended license, issued by the Federal Commission for the Securities Market;**

License for dealer operations: **№078-06792-010000 dd. June 24, 2003, open-ended license, issued by the Federal Commission for the Securities Market;**

License of a Depository: **№078-06768-000100 dd. June 17, 2003, open-ended license, issued by the Federal Commission for the Securities Market;**

Trust Management License: **№078-06794-001000 dd. June 24, 2003 open-ended license, issued by the Federal Commission for the Securities Market.**

Document confirming status of the Financial Adviser: **Notification of the Federal Commission for the Securities Market dd. May 5, 2003 №03-CX-02/6370.**

Services rendered by the Financial Adviser: **expertise of securities issue:**

- **check-up of information credibility and signing of the Securities Prospectus;**
- **control on compliance of the Issuer with the requirements of effective Legislation in the course of securities issuance;**
- **check-up and signing of the Placement Report;**
- **approval of bid applications Register for the Issuer’s securities as of each placement day; after the end of placement the final bid applications Register for the Issuer’s securities is approved.**

Outstanding securities that were issued under supervision of the Financial Advisor:

– **non-convertible interest-bearing documentary bearer bonds of 04 series with obligatory centralized custody (state registration number 4-07-00175-A, assigned as of September 23, 2004 by the Federal Financial Markets Service of the Russian Federation);**

– **non-convertible interest-bearing documentary bearer bonds of 05 series with obligatory centralized custody (state registration number 4-08-00175-A, assigned as of September 23, 2004 by the Federal Financial Markets Service of the Russian Federation).**

2. Name: **Closed Joint-Stock Company ‘Investitsionnaya Kompaniya AVK’**

Address: **1, Uritskiy pavilyon, 196605 Saint-Petersburg, Pushkin.**

Tel: **7 (812) 230 7733**, fax: **7 (812) 237 0650**

Internet page used by the Financial Adviser for disclosure of information on the Issuer:

<http://www.avk.ru/>

Licenses:

License for broker activity: **№178-03255-100000 dd. November 29, 2000, open-ended license, issued by the Federal Commission for the Securities Market;**

License for dealer operations: **№078-03343-010000 dd. November 29, 2000, open-ended license, issued by the Federal Commission for the Securities Market;**

License of a Depository: **№078-04116-000100 dd. December 20, 2000, open-ended license, issued by the Federal Commission for the Securities Market;**

Trust Management License: **№078-03412-001000 dd. November 29, 2000, open-ended license, issued by the Federal Commission for the Securities Market.**

Services rendered by the Financial Advisor: **expertise of securities issue:**

- **consultations on resolutions to be adopted by the Issuer’s authorized bodies when arranging securities issue pursuant to the RF Legislation, disclosure of information, development of Resolution authorizing issuance of securities, Securities Prospectus, Placement Report;**

– **signing of the Securities Prospectus and Placement Report;**
– **approval of Bid Applications Register for the Issuer's securities as of each placement day;**
after the end of placement the final Bid Applications Register for the Issuer's securities is approved;
– **check-up of information disclosed by the Issuer on all stages of securities issue as for its compliance with the requirements of the Federal Laws and other Legal Acts that are followed by the authorized registering authority.**

Outstanding securities that were issued under supervision of the Financial Advisor:

– **non-convertible interest-bearing documentary bearer bonds of 06 series with obligatory centralized custody (state registration number 4-09-00175-A, assigned as of November 3, 2005 by the Federal Financial Markets Service of the Russian Federation);**

– **non-convertible interest-bearing documentary bearer bonds of 07 series with obligatory centralized custody (state registration number 4-10-00175-A, assigned as of November 3, 2005 by the Federal Financial Markets Service of the Russian Federation).**

1.6. Other persons who signed the quarterly report

Other persons who signed the quarterly report and was not mentioned in previous items of the present section:

Irina A. Tripuk

Year of birth: **1958**

Job: **Open Joint-Stock Company 'Uralsvyazinform'**

Position: **Deputy Chief Accountant**

II. General information on financial and economic status of the issuer

2.1. Financial and business performance of the Issuer

Index	Recommended accounting procedure	Value	
		II quarter 2006	II quarter 2007
Net asset value, RUR	In accordance with the Accounting Procedure determined by the Ministry of Finance of the Russian Federation and/or Federal authority on securities market, for the join-stock companies	18,113,129	20,148,007
Debt/Equity ratio, %	$(\text{Long-term debt as of the end of the reporting period} + \text{short-term debt as of the end of the reporting period}) / (\text{Capital and reserve as of the end of the reporting period}) * 100$	166.6	152.7
Short-term debt/Equity ratio, %	$(\text{Short-term debt as of the end of the reporting period}) / (\text{Capital and reserve as of the end of the reporting period}) * 100$	64.5	79.0
Coverage of debt charges, %	$(\text{Net profit as of the reporting period} + \text{amortization charges as of the reporting period}) / (\text{Debts to be settled within the reporting period} + \text{Interest to be paid within the reporting period}) * 100$	1.93	1.25
Level of overdue debt, %	$(\text{Overdue debt as of the end of the reporting period}) / (\text{Long-term debt as of the end of the reporting period} + \text{short-term debt as of the end of the reporting period}) * 100$	-	-
Receivables turnover, times	$(\text{Revenue}) / (\text{Receivables as of the end of the reporting period} - \text{Arrears on contributions of founders to the charter capital as of the end of the reporting period})$	2.46	2.38
Dividend payout ratio, %	$(\text{Dividends on ordinary shares as of the completed fiscal year}) / (\text{Net profit as of the completed fiscal year} - \text{Dividends on preference shares as of the completed fiscal year}) * 100$	-	-
Labour capacity, RUR per employee	$(\text{Revenue}) / (\text{Average headcount})$	256,267	367,297
Depreciation/revenue volume ratio, %	$(\text{Depreciation charges}) / (\text{Revenue}) * 100$	12.08	10.78

Analysis of paying capacity and financial status of the Issuer based on the economic analysis of performance of the given factors:

Company's Net asset value tends to stable growth. For the period from the 2nd quarter 2006 to the 2nd quarter 2007 the increase in net asset value made up 11.2 per cent and was caused by the growth of retained profit of past years and the reporting year.

The decrease of Debt/Equity ratio comes from reduction of capital investment, enhancement of efficiency of current assets management.

The increase in Short-term debt/Equity ratio relates to the growth of the short-term accounts payable on credits and loan facilities.

In spite of the growth of Net profit, Coverage of debt charges decreased by RUR 1,882 mln. due to the growth of debt volumes redeemed within the reporting period.

The decrease in Receivables turnover resulted from the growth of Accounts receivable by RUR 845 mln. The growth of Accounts receivable was caused by:

- the increase of customers' receivables for the communications services due to the implementation of new tariff plans in the 1st and in the 2nd quarters 2007;
- the growth of state-financed organizations' receivables, which is characteristic of the first half year;
- the growth of other receivables due to the sale of the part of the Company's assets.

Growth of Labor capacity was caused by the increase in income at the simultaneous staff redundancy.

Analysis of above-mentioned factors allows for deduction on sufficiency of the Issuer's paying capacity for discharging its obligations.

OJSC 'Uralsvyazinform' prevents from defaults of payments, and discharges all obligations under agreements concluded within the stated timeframes. Due to the explicit investment policy of the Company in the previous years, one may now observe reasonable and well-balanced proportion of long-term and short-term obligations of the Company.

2.2. Market capitalization of the Issuer

Procedure of calculation of the Issuer's market capitalization: **market capitalization is calculated by multiplying the quantity of shares of a certain category (type) by market price of one share, which is calculated by trade institutor in accordance with the Procedure of calculation of market prices of issue securities and trust funds shares, admitted to trading through the trade institutor, approved by the Decree of the Federal Commission for the Securities Market dd. December 24, 2003, №03-52/nc (registered by the Ministry of Justice of the Russian Federation as of January 23, 2004, registration number 5480).**

Trade institutor: **OJSC Stock Exchange 'Russian Trading System'**

Market capitalization of the Issuer for 5 last completed fiscal years as of the end of each year, and as of the end of the last completed reporting period:

Reporting period	Market capitalization, RUR
2002	15 322 645 303*
2003	39 958 717 996*
2004	37 270 315 750
2005	40 836 773 160
2006	64 760 895 336
II quarter 2007	60 435 106 732

* As calculated by Non-profit Partnership 'Stock Exchange 'Russian Trading System'

2.3. Obligations of the Issuer

2.3.1. Accounts payable

Structure of the Issuer's accounts payable:

Types of accounts payable	II quarter 2006		II quarter 2007	
	Term to maturity of payments			
	Less than a year	More than a year	Less than a year	More than a year
Accounts payable to suppliers and contractors, thousand RUR	3 612 366	–	4 166 365	–
including overdue, thousand RUR	–	X	–	X
Accounts payable to the personnel of the organization, thousand RUR	311 256	–	340 155	–
including overdue, thousand RUR	–	X	–	X
Accounts payable to the budget and state non-budget funds, thousand RUR	360 868	1 656 202	411 837	2 230 842
including overdue, thousand RUR	–	X	–	X
Credits, total, thousand RUR	2 105 725	4 792 084	3 500 954	6 802 338
including overdue, thousand RUR	–	X	–	X
Loans, total, thousand RUR	3 419 322	10 636 116	5 328 845	5 118 460
including overdue, thousand RUR	–	X	–	X
including bond loans, thousand RUR	3 000 000	10 000 000	5 000 000	5 000 000
including overdue bond loans, thousand RUR	–	X	–	X
Other accounts due, thousand RUR	559 756	1 317 760	835 833	646 743
including overdue, thousand RUR	–	X	–	X
Total, thousand RUR	10 369 293	18 402 162	14 583 989	14 798 383
including total overdue, thousand RUR	–	X	–	X

As of 06/30/2007, accounts payable to the **Yekaterinburg Division of Joint-Stock Gas Industry Bank "Gazprombank"** made up RUR 3,500 mln.; that makes over 10 per cent of the total sum of accounts payable.

Address of the Lender: **55 A, Radischev str., 620086, Yekaterinburg, Russia.**

Amount of accounts payable: **3 500 mln. RUR;**

Amount and conditions of overdue accounts payable (interest rate, penalties, fines): **there is no overdue accounts payable;**

The Lender is not affiliated to the Issuer.

2.3.2. Credit history of the Issuer

Discharge of obligations by the Issuer with regard to the Loan facilities effective within the last 5 completed years or effective as of the end date of the reporting period, with principal debt amount constituting 5 per cent or more of the Issuer's book value of assets calculated as of the end of the last completed quarter preceding the date of conclusion of the respective Loan Agreement: **there were no such loans for the period from 2002 up to June 30, 2007.**

Discharge of obligations by the Issuer with regard to the bond issues with the aggregate par value amounting to 5 and more per cent of the Issuer's book value of assets as of the end of the last completed quarter, preceding the state registration of the Bonds Placement Report; in case the bonds placement was not completed over plenty of reasons, or the state registration of the Placement Report was not completed, - as of the date of the last completed quarter, preceding the state registration of the Bonds Issue:

Obligations on each bond issue with the aggregate par value amounting to 5 and more per cent of the Issuer's book value of assets as of the end of the last completed quarter, preceding the state registration of the Bonds Placement Report, were discharged by the Issuer on time and in full measure.

Liabilities	Lender	Amount of principal debt, thousand RUR	Maturity term	Delays in discharge of obligations with regard to the principal debt or the interest (days)
bond loan of 04 series	Individuals and legal entities	3,000,000	11/01/2007	no
bond loan of 07 series	Individuals and legal entities	3,000,000	03/13/2012	no

2.3.3. Obligations of the Issuer appearing from the security provided to the third parties

Overall amount of the Issuer's obligations appearing from the security provided to the third parties as of the end of the reporting period: **RUR 12,283,593 thousand.**

Overall amount of obligations of the third parties, on which the Issuer granted security to the third parties, as of the end of the reporting period: **RUR 2,514,117.2 thousand,** among them:

- pledge: **no;**
- guarantee: **RUR 2,514,117.2 thousand.**

Issuer's obligations appearing from the security provided to the third parties within the period from the beginning of the present fiscal year up to the end of the reporting quarter, including securities provided in the form of the pledge or the guarantee, amounting at least 5 per cent of the Issuer's book value of assets as of the end of the last completed quarter preceding the date of the security provided: **no such security was provided.**

2.3.4. Miscellaneous

Deals concluded by the Issuer, including forward transactions that were not reported in its balance sheet, but may exert substantial influence on the Issuer's financial status, its liquidity, sources of financing and conditions of their raising, results of operation and expenses: **there are no such deals.**

2.4. Purposes of securities offerings and areas of use of the funds raised from placement of issue securities.

In the 2nd quarter 2007 the Issuer didn't accomplish placement of the securities through subscription.

2.5. The risks arising from acquisition of placed issue securities

Uralsvyazinform operation results are affected by a number of factors that can hardly be controlled by the Company. Though many of them are of macroeconomic nature and affect all companies around, particular spheres of business may tend to be more susceptible to certain risks. The list of risk factors given below is not exhaustive, as there is a variety of factors that may seem

negligible at present, but in future appear to exert considerable negative influence on the Company's activities, which would negatively affect its sales volume, profit, assets, capital, liquidity, and paying capacity.

2.5.1. Industry risks

Consequences of potential aggravation of situation within the industry the Issuer operates in. Most significant alterations, as regarded by the Issuer, which may occur in the industry, and assumed actions of the Issuer in case of their occurrence:

Regulatory developments, enhancement of competition due to the impact of various factors on telecommunications market may result in the risk of the decrease of revenue and profit growth rates.

To compensate for the negative impact of the above-stated factors, the Issuer intends to enhance the quality of services rendered, to implement service packaging, to render converged and value-added services. Besides, the Company plans to implement the Quality Management System in accordance with ISO 9000 standards (version as of 2000).

Risks pertaining to potential change of prices for raw materials or services utilized by the Issuer in the process of operation, and their influence upon operation and discharge of obligations on securities by the Issuer:

Risks pertaining to the growth of prices for the outside organizations' services utilized by the Company in its operation are negligible, as the growth may be compensated by increase of prices for the services rendered by the Company. In this case the competitive position of the Company shall not suffer considerable changes as the respective growth of prices shall be characteristic of the Company's competitors as well. Still, the Company envisages the opportunity to purchase the outside organizations' services at the competitive market to minimize the risk considered.

Risks pertaining to potential alteration of prices to the Issuer's services and their impact on the Issuer's operation and discharge of obligations on securities:

Since February 1, 2007 the time-based charging for local services was forced into application. It resulted in increase of tariffs for local services by 13 per cent. This fact exerted negative influence upon subscriber base formation, and caused the growth of churn rate. Tariffs for intra-zone services were not altered.

In the current year there exists the risk of temporary decrease in the Issuer's income caused by the fact that according to the Connection Agreements the Issuer pays for the connections starting from the first second, while its subscribers still pay starting from the sixth second (in mobile and fixed networks). At the same time, due to the alterations in the Rules for connection and inter-action of carriers, the Issuer may appear to obtain extra income because of potential reduction of volumes of unauthorized traffic utilized by alternative operators.

Besides, through the effective tariff policy and rendering bundled services, the Issuer may cover 80-90% of local voice and mobile traffic. Through the creation of data transfer portal, the Issuer may cover 13.3 per cent of data traffic over its zone of operation.

As a whole, the influence of industry risks upon the Issuer's operation is regarded as moderate, because due to the merger with regional operators, the Company proved able to utilize integrated infrastructure and technical base within the Urals Federal District of the Russian Federation, which makes it possible to provide the customers with the widest range of services within the Urals Federal District and to develop interregional telecommunications networks for reduction of cost and enhancement of efficiency of services.

2.5.2. Sovereign and regional risks

State in which the Issuer is registered as a tax-payer and performs its core activities, provided that such activities has constituted 10 or more per cent of its profit as of the last completed reporting period preceding the end of the last reporting quarter: ***the Russian Federation.***

Region of operation: ***Perm Region and Urals Federal District.***

Risks pertaining to the political and economic situation within the country and the region, where the Issuer is registered as a tax-payer and/or performs its core activities:

- ***elections to the State Duma to take place in 2007;***
- ***elections of President of the Russian Federation in 2008;***
- ***entrance of the Russian Federation to the World Trade Organization;***
- ***general economic situation within the country and region.***

Assumed measures to be taken by the Issuer in case of negative impact caused by the change of political and economic situation in the country:

- **optimization of expenses by means of revelation and utilization of inner reserves and resources;**
- **adjustment of investment policy;**
- **enhancement of receivables turnover by tightening of discipline of payments to debtors.**

The Issuer shall discharge its obligations using its own profit or by means of raising short-term loans, if necessary.

As a whole, in the midterm the Issuer reckons that considerable negative impact of sovereign and regional risks upon the Issuer's activity is improbable.

Risks pertaining to probable military conflicts, announcement of the state of emergency and industrial strikes within the country or region of the Issuer's domicile:

Risks of military conflicts, announcement of the state of emergency and industrial strikes within the country or region of the Issuer's domicile is regarded as insufficient so as to consider these risks as able to substantially affect the Issuer's activities. Such opinion is affirmed by the current credit rating of the Russian Federation that is being permanently increased.

In 2008, due to the forthcoming RF President elections, there exists the probability of aggravation of political and social situation in 2008 brought on by the political parties. To prevent the strikes, the Issuer creates favorable labor conditions and discharges all obligations to the employees.

To minimize the risks of terrorist attacks and emergency situations the Issuer undertakes additional safety measures for employees and their families.

Risks pertaining to the country and region geographic position:

Risks pertaining to the geographic features of the region, including natural disasters, are considered as minimal. Such risks are subject to insurance.

2.5.3. Financial risks

Risk of interest rates fluctuations:

The alteration of monetary policy within the country may lead to surge of inflation, growth of interest rates on loans resulting in the growth of the Issuer's expenditures.

However, today the Russian economy tends to gradual decrease of credit rates.

Currency risks:

Provided that as of 07/01/2007 95 per cent of the Issuer's debts are denominated in Russian rubles, currency risks are not likely to affect substantially the financial status of the Company.

Assumed measures to be taken by the Issuer for neutralization of negative impact of currency rates or interest rates fluctuations:

- **optimization of costs, including reduction of expenses on salaries if necessary;**
- **reconsideration of investment policy;**
- **enhancement of working capital efficiency.**

Potential influence of inflation upon the payments on securities; critical point of inflation in the Issuer's opinion; assumed measures to be taken by the Issuer to decrease the risk of inflation:

According to the official data, inflation level in Russia made up 11.7% in 2004, 10.9% in 2005, 9% in 2006. By estimate of the RF Government, in the nearest years the tendency shall strengthen to slowing down of prices growth rate. In 2007 the inflation level is planned to decrease to 8%. In the 1st half year 2007 the inflation totaled 5,7%, which is 0.5% lower than in the 1st half year 2006.

Disinflation along with the retention of economic growth shall facilitate further growth of the real income of the population and corporate sector and, consequently, shall lead to the increase of communications services consumption.

The increase of inflation growth rate may, to the contrary, lead both to the decrease of communications services consumption, and to the growth of the Issuer's expenses, and borrowed funds costs. It may also result in the decrease of profitability index. Thus, in case of inflation substantially exceeding the level forecast by the RF Government (amounting at 30-40 per cent a year), the Issuer shall take the following measures:

- **restriction of cost escalation,**
- **reduction of debts receivable and cut down of debt outstanding period;**

- *increase of debts payable up to the optimal level;*
- *liquidation of redundant free cash flow;*
- *diversification of investment portfolio.*

Items of the Issuer's financial statements most subject to above stated financial risks:

In the Issuer's opinion, profit and cost of services are mostly subject to the financial risks.

In the Issuer's opinion, profit and cost of services are mostly subject to the financial risks.

Probability of financial risks (dramatic fluctuations of currency rates, inflation, and growth of interest rates) in the nearest future is regarded as low. However, in case of their occurrence, the Issuer may compensate for these risks by increase of tariffs and reduction of loan volumes.

2.5.4. Legal risks

As the Issuer doesn't export its services, only internal legal risks are considered in this section. Legal risks, pertaining to the Issuer's activity, are specific of a number of Russian companies, and may be regarded as sovereign risks.

Risks caused by alterations in tax legislation:

Tax Legislation of the Russian Federation allows for diverse interpretation and is subject to the frequent amending and alteration. Russian community thoroughly follows current changes in the tax legislation, and pays much attention to the workshops and conferences attended by the leading experts in the sphere of taxation.

Recent trend of events in the Russian Federation proves that the tax authorities may take a tough line in interpretation of tax legislation and tax computations. As a result, the Company may be presented with claims on those deals and accounting methods on which there have not been any claims before. Thus, the Company may be charged with extra taxes, penalties and fines. Tax inspections may cover three calendar years preceding the year of inspection. In certain cases inspection may be performed with regard to the earlier periods.

As for the Company's chief officers, the relevant legislative provisions have been interpreted correctly by the Company as far, and it is most likely that the Issuer would preserve its position as a law-complying company in future. Existing overpay on the majority of taxes as of June 30, 2007 speaks for the bare possibility of taxation risks emergence.

Risks pertaining to the alterations in the currency control, customs surveillance and imposts:

In recent years, the Government policy is being aimed at liberalization of currency and customs legislation, and in the nearest future the Issuer's risks pertaining to the amending of currency and customs legislation are regarded as minimal.

Risks pertaining to the alterations in the state requirements to the Company's core activities licensing:

Risks pertaining to the alterations in the state requirements to the Company's core activities licensing are regarded as low. There haven't been any amendments to the legislation within the reporting period.

Risks pertaining to the alterations in the court practice:

Despite the fact that the Russian legal system doesn't imply Case Law, court practice holds much significance in the law enforcement system. Judicial Acts, though not being sources of law in the proper sense of the word, in certain cases may assume liability to interpret legal norms being applied. Information letters of the of the Russian Federation Supreme Arbitration Court Presidium, Supreme Court Decrees, Constitutional Court Decrees are obligatory for application by the judicial bodies.

Provided that the Issuer operates in strict compliance with the current legislation, negative impact of alterations within the court practice is likely to come out only in case that the regulatory authorities would change their positions or in case that the Issuer would operate under contempt of the law.

2.5.5. Risks pertaining to the Issuer's operation

Risks pertaining to the Issuer's participation in trials and litigations:

The Company is involved in several arbitration proceedings. One of the most substantial proceedings capable of exerting influence upon the Company's financial status is the Decree #12 dd. 12/01/2006 by Inter-district Inspectorate #7 of the Federal Tax Service. According to the Decree, the Company was charged with extra taxes amounting to RUR 561,332,037.86, penalties amounting to RUR 107,358,263.81, and fines totaling RUR 87,685,697.28 for the years 2003-2004.

The Company filed the claim to the Moscow City Arbitration Court on invalidation of above-mentioned Decree of the Federal Tax Service.

By the Decree of the Moscow City Arbitration Court dd. May 23, 2007 with regard to the claim # A40-77769/06-75-465, the Company's claim was satisfied partially. Decree #12 by Inter-district Inspectorate #7 of the Federal Tax Service was ruled illegal with regard to the extra taxes at the amount of RUR 402,379,281.83, fines and penalties at the amount of RUR 159,125,269.19. Other parts of the Claim are dismissed.

The Company intends to appeal the Court's Decree.

Risks pertaining to circumstances preventing the Issuer from prolongation of licenses for certain kinds of operations or utilization of objects completely or partially removed from trading circulation (including natural resources):

Pursuant to the Federal Law dd. 12/29/2006 № 252-Ф3, from 07/01/2007 on, the demand is cancelled to license activity on design and construction of buildings except for the seasonal and accessory construction. The Company has licenses for several kinds of design and construction services with the term expiring in 2007. Due to the amendments to the legislation denoted, prolongation of such licenses is not required.

Risks of failure in licensing are low, because the Company complies with all the requirements and rules in its activities.

Risks of the Issuer's responsibility over the third parties debts (including the debts of subsidiaries):

The Issuer bears the risks of responsibility over the third parties' debts amounting to the sum of securities provided to them.

As of 06/30/2007, the total sum of the Issuer's obligations over the third parties' debts appearing from the security provided to them made up RUR 2,514,117.2 thousand.

The Issuer regards such risks as low.

The Issuer has 2 subsidiaries. The Issuer's responsibility over the debts of its subsidiaries may occur in case the Issuer, by its orders obligatory for execution by the subsidiaries, would cause losses or bankruptcy of these subsidiaries. The Issuer endeavors to prevent such a situation, as its occurrence would contradict the main objective of the Issuer's activity – making a profit.

Risk of the loss of customers, supplying the sales turnover that constitutes at least 10 per cent of the overall sales revenue:

There are no such customers. Factors that may negatively affect the Issuer's sales volume are set forth in the item 3.2.4. of the present Quarterly Report.

2.5.6. Bank risks

The Issuer doesn't bear bank risks, as it is not a credit institution.

III. Detailed information on the Issuer

3.1. Detailed profile of the Issuer

3.1.1. Name of the Company

Corporate name in full: **Open Joint-Stock Company “Uralsvyazinform”**
Abbreviated corporate name: **O.J.S.C. “Uralsvyazinform”**

Information on registration of the Issuer’s corporate name as a trademark or a service mark: corporate name of the Company makes part of the combined trademark, certificate # **311035, priority administered on June 9, 2005. The trademark is registered in the State Register of Trademarks and Service Marks of the Russian Federation; date of registration: July 24, 2006; the term of registration expires on June 9, 2015.**

Information on alterations in the Issuer’s corporate name during the Company’s existence: **there haven’t been any alterations in the Issuer’s corporate name.**

3.1.2. State registration of the Issuer

State registration number: **2359**
Date of state registration: **04/29/1994**
Registering authority: Perm Administration

In accordance with the Federal Law “On State Registration of Legal Entities” OJSC “Uralsvyazinform” was registered by the **Perm division of Federal Tax Office as of September 4, 2002.**

The state registration number: **1025900510349.**

3.1.3. Creation and development of the Company

The Issuer’s life period from the date of its State registration: **13 years 2 months.**

Term of existence of the Issuer: **term of existence of the Issuer is unlimited.**

Creation and development of the Issuer:

OJSC ‘Uralsvyazinform’ was created in April 1994 by privatization of the State communications and informatization enterprise called ‘Rossvyazinform’.

Following the resolution of the Extraordinary General Meeting of Shareholders of OJSC ‘Uralsvyazinform’ as of September 27, 2001 the Company was reorganized in the form of merger of OAO “Uraltelecom” of Sverdlovsk region, OAO “Electrosvyaz” of Kurgan region, OAO “Tyumentelecom”, OAO “Khantymasyiskokrtelcom”, OAO “Svyazinform” of Chelyabinsk region, and OAO “Yamalelectrosvyaz” with and into OJSC “Uralsvyazinform”.

On July 1, 2005 the Issuer accomplished the takeover of daughter mobile operators (OOO ‘Yuzhno-Uralski Sotovy Telefon’ (OOO ‘South Urals Cellular Phone’), OOO ‘Tyumenruscom’ and ZAO ‘Ermak RMS’) aimed at creation of the sole business structure in the sphere of mobile telecommunications services within the Urals Federal District. On July 1, 2005 the Issuer accomplished the takeover of daughter Internet providers (ZAO ‘VSNET’ and OOO ‘Uralcom’) as well.

Since 1 January 2006, pursuant to the amended Legislation, the Company has not been rendering long-distance telecommunications services anymore but acts as an agent to the long-distance operators when rendering services to the subscribers of long-distance operators.

In the 1st quarter 2007 Uralsvyazinform was provided with A-class level in corporate governance national rating. Confirmation of the national rating of corporate governance affirms high level of the Company’s corporate governance.

Issuer’s purposes: **Issuer’s major purposes are deriving of profit, provision of customers with high-quality telecommunications services.**

Issuer’s mission: **Forming and satisfying the customers’ needs in telecommunications services, and integration into the global information community of the XXI-st century.**

Miscellaneous information on the Issuer’s activity:

Issuer’s strategy: **provision of the Company’s growth by means of retention of the leading position at the market, implementation of new unique services and enhancement of the Company’s efficiency.**

The Issuer means to base its activity upon the largest customer base within the region, broad infrastructure, convergent technologies, personnel competence and the Company's reputation as a reliable service provider and business-partner.

Strategic targets of the Issuer for 2007 – 2011:

- **growth of business value;**
- **retention of the market share occupied;**
- **growth of operating efficiency;**
- **reduction of debt load.**

To achieve the strategic objectives, the Issuer endeavors:

- **to ensure high-quality services and service maintenance;**
- **to develop cost management;**
- **to guarantee the technological development based on convergent technologies;**
- **effective management of the Company's real-estate;**
- **reorganization of the daughter businesses.**

To achieve strategic targets, the Issuer should have accomplished the following tasks:

- **financial tasks:**
 - **provision of high efficiency of projects,**
 - **provision of favorable conditions for investments attraction;**
- **market-oriented tasks:**
 - **development and promotion of new services, including value-added services,**
 - **development and promotion of bundled services,**
 - **enhancement of customers' loyalty,**
 - **partnership with corporate sector customers,**
 - **strengthening of the Issuer's positive business image,**
 - **increase of influence upon the development of communications services market of the Urals Federal District and Perm region;**
- **technological tasks:**
 - **gradual upgrade and reconstruction of telecommunication networks, shift to an NGN architecture,**
 - **extension of broadband access,**
 - **maximization of home network load,**
 - **development of hosting-platforms and content servers;**
- **corporate tasks:**
 - **formation of effective corporate structure satisfying the present-day requirements and enabling revelation of each employee's creative potential.**

3.1.4. Contact information

Domicile: **11, Moskovskaya St., Ekaterinburg, 620014, the Russian Federation**

Tel.: **7 (343) 376 2000**, fax: **7 (343) 379 1290**, e-mail address: gd@gd.usi.ru

Internet site containing information on the Issuer and its issue securities:

in Russian: <http://www.usi.ru/>, <http://www.u-tel.ru/>

in English: <http://www.usi.ru/en/>

Divisions of the Issuer specialized in shareholders and investors relations: **Equity and IR Department**

Address: **11, Moskovskaya St., Ekaterinburg, 620014, the Russian Federation**

Tel: **7 (343) 379 1326**, fax: **7 (343) 379 1290**, e-mail address: investor@gd.usi.ru

Internet site:

in Russian: <http://www.usi.ru/shareholders/>

in English: <http://www.usi.ru/en/shareholders/> .

3.1.5. Taxpayer Identification Number

The Issuer's Taxpayer Identification Number (TIN): **5902183094**

3.1.6. Branches and representative offices of the Issuer

Alterations that occurred in the structure of the Company's branches and representative offices: **in the 2nd quarter 2007 there weren't any alterations within the structure of branches and representative offices of OJSC 'Uralsvyazinform'.**

Changes that took place in the reporting quarter in the name, address of the branches and

representative offices, name of their heads, and term of the letter of attorney granted to the heads:

1. Khanty-mansiysk telecommunications division

Since April 23, 2007 Sergey D. Tribunsky heads Khanty-mansiysk telecommunications division, letter of attorney # 04-35-52 dd. April 23, 2007.

2. Chelyabinsk telecommunications division

Since April 16, 2007 Nikolay I. Menshikov heads Chelyabinsk telecommunications division, letter of attorney # 04-35-50 dd. April 16, 2007.

3. Yamalo-Nenetsky telecommunications division

Since April 23, 2007 Igor B. Bagrov heads Yamalo-Nenetsky telecommunications division, letter of attorney # 04-35-53 dd. April 23, 2007.

There haven't been any alterations in the names of the Company's branches and representative offices in the 2nd quarter 2007.

3.2. Core business activities of the Issuer

3.2.1. Industry classification of the Issuer

Codes of industry classification of the Issuer's main activities pursuant to All-Russia Classifier of Economic Activities (ARCEA): **64.20.11 64.20.12 64.20.21 64.20.22 64.20.3 74.20.14 74.20.15 74.20.35 45.21.1 45.31 45.21.4 74.20.31 74.30.6 74.30.9 80.42 74.84 74.14 74.13.1 52.45.1 52.48.15 74.40**

Code of activity in accordance with ARCEA	Activity according to ARCEA code
64.20.11	Telephone communications
64.20.12	Documentary telecommunications
64.20.21	Transmission and distribution of television programs
64.20.22	Transmission and distribution of sound broadcasting programs
64.20.3	Other activities in the field of electrical communication
74.20.14	Design of industrial processes and industrial-scale production in the sphere of electrical technology, electronics engineering, mining engineering, chemical technology, machine construction, industrial production, systems engineering, and safety engineering.
74.20.15	Project design in the sphere of air conditioning, refrigeration engineering, sanitary engineering and environmental contamination monitoring, acoustics of buildings etc.
74.20.35	Engineering surveys for construction
45.21.1	Structural works in buildings construction
45.31	Electrical installation works
45.21.4	Structural works on pipeline constructions, communications lines and power lines, including attendant auxiliary works
74.20.31	Topography and geodesy operations
74.30.6	Tests and calculations of construction elements
74.30.9	Other types of activities on technical control, tests and analysis
80.42	Adults education and other kinds of education left out of other groups
74.84	Other services
74.14	Consultation in the sphere of business activities and management
74.13.1	Market conjuncture research
52.45.1	Retail distribution of household electric devices
52.48.15	Retail distribution of electric communication equipment
74.40	Advertising

3.2.2. Core business activities of the Issuer

Core business activities of the Issuer: **communications services.**

Type of the Issuer's activities: **the Company operates in continuous cycle (round-the-clock operation, seven days a week).**

Core business activities providing at least 10 per cent of the Issuer's revenues:

Types of services	Economic parameter	Parameter value in the reporting period	
		II quarter 2006	II quarter 2007
Intra-zone services	Revenues from communications services, thousand RUR	567,756.6,	1,184,140.4,
	Share of overall sales revenues, %	7.1	12.1
Local telephone	Revenues from communications services, thousand	2,514,438.9	2,641,735.2

services	RUR		
	Share of overall sales revenues, %	31.5	27.0
Mobile services	Revenues from communications services, thousand RUR	2,500,855.4	3,049,815
	Share of overall sales revenues, %	31.3	31.2
Revenues from carriers	Revenues from communications services, thousand RUR	1,295,320.9	1,408,750.6
	Share of overall sales revenues, %	16.2	14.4

Cost structure:

Cost item	Value	
	II quarter 2006	II quarter 2007
Raw materials and supplies, %	4.4	3.6
Purchased component parts, semi finished inventory, %	0.7	0.7
Production works and services rendered by outside organizations, %	3.3	4.4
Fuel, %	1.0	0.8
Energy, %	1.6	1.4
Labor costs, %	30.8	24.0
Interest on loans, %	0.0	0.0
Rental payments, %	5.2	6.1
Benefits-related deductions, %	6.4	4.9
Depreciation of fixed assets, %	15.4	13.9
Taxes included into the product cost, %	0.2	0.1
Other costs, %	31.0	40.0
intangible assets amortization, %	0.0	0.0
remuneration for improvement suggestions, %	0.0	0.0
compulsory insurance payments, %	0.0	0.0
hospitality expenditure, %	0.0	0.0
miscellaneous, %	30.9	40.0
Total: production and sales costs, %	100.0	100.0
Revenues from the sales of products (services), per cent to the cost	133.8	128.8

Standards (Rules) according to which the financial statements and calculations stated at the present item of the Quarterly Report were compiled:

Financial statements were compiled pursuant to the applicable Rules of accounting and reporting, set forth by the Federal Law "On accounting" and Regulations on accounting approved by the Russian Federation Ministry of Finance.

Meaningful new services offered by the Issuer at its core activity market (provided that the information on such services is open to the public):

1. Intelligent network (IN)

Intelligent network services are rendered to Uralsvyazinform fixed line subscribers on the basis of A8690 OSP2.3/IN platform being manufactured by ALCATEL since 2000. In the present-day configuration the system is capable of the following volumes of services:

- **FreePhone services and PaidPhone services – 5 000 subscribers;**
- **Televoting – 500 subscribers;**
- **Prepaid Card Calling / Pay Card Calling – 2 000 000 card accounts.**

System capacity – upwards of 32 CAPS.

The platform is designed to service calls over the whole territory of the Company.

To render IN services to the GSM mobile network subscribers, OJSC 'Uralsvyazinform' put in operation 2 mobile IN platforms:

- **in Perm city IN platform produced by Comverse Ltd., with the capacity of 3 000 000 subscribers,**
- **in Chelyabinsk city IN platform produced by ALCATEL, with the capacity of 800 000 subscribers.**

Main type of services provided by the platforms is the prepaid services. Prepaid services are now available for the subscribers in the Perm, Kurgan, Sverdlovsk, Tyumen and Chelyabinsk regions. With the mobile IN Comverse platform, prepaid service subscribers gained access to data transfer services and Internet access (MMS/WAP/GPRS) with online charging.

2. Multi-service networks and broadband access

Multi-service networks and broadband access are basis for all types of new services. New

designs are being developed and implemented to enhance long-distance and local channels capacity; ADSL/ADSL2 optical network is being extended; new practice of service quality maintenance is being developed and implemented for various types of traffic; unification of services provision procedure is performed.

In 2007 the Company is going to arrange the test zones for GPON, VDSL2 technologies. Implementation of such technologies shall allow for more diverse range of services.

3. Next Generation Network

In 2005 the first stage of Next Generation Network construction was successfully completed in Yekaterinburg and Chelyabinsk cities.

At present the NGN is being loaded with customer-attractive services. Particularly, broadband network subscribers shall be provided with video-conference, interactive communication, instant messaging services. Mobile and fixed-line subscribers shall be provided with convergent services and mobility services. The first NGN service such as the 'Single number' has been put into commercial operation over the whole area of the Company's activity.

4. Triple Play (voice, video, and data transfer)

New broadband services such as IP TV, VoD are being implemented over the whole area of Inter-Regional Telecoms operation. The main difference of these services from their major peer – cable TV – is their interactivity with the subscriber.

5. Packet switched network and MMS/WAP/GPRS(Internet) services

At present the area of the Company's operation is furnished with 2 platforms of packet switched data:

– GPRS platform manufactured by Huawei with the capacity of 400 000 subscribers. The platform is located in Perm city and maintains the Perm, Sverdlovsk, Chelyabinsk, and Kurgan Regions; its capacity is 40 000 simultaneous GPRS sessions;

– GPRS platform manufactured by Ericsson with the capacity of 110 000 subscribers. The platform is located in Tyumen city and maintains the Tyumen Region, Khanty-Mansyisk and Yamalo-Nenetsk Autonomous Districts.

MMS platform manufactured by Ericsson is located in Perm city within Uralsvyazinform integrated mobile GSM network. Capacity of MMS platform is 500 000 subscribers, performance is 25 MMS per second.

The platform enables GSM subscribers to exchange multi-media messages, both between mobile terminals, and between the mobile terminal and electronic mail terminal.

WAP platform manufactured by Ericsson is located in Perm city within Uralsvyazinform integrated mobile GSM network. Its design capacity is 320 references to WAP sites per second. The platform shall enable GSM subscribers to utilize WAP-resources of mobile Internet through the Packet switched data technology. In the III quarter 2006 the capacity of the platform was increased up to 570 transactions per minute.

In 2007 the Company projects to install distributed GPRS platform and extend the packet switched network, which would add capacity for new GPRS connections and enhance the quality of services. The Company intends to extend WAP platform as well.

6. Information and entertainment services

Information and entertainment services are rendered on the basis of SPACE platform installed in Perm city. Platform capacity is 50 requests/responses of entertainment content per second. This platform allows rendering diverse information and entertainment services through several content-providers. The choice of this platform is also determined by availability of a wide range of content delivery transport (USSD, SMS, WAP, MMS).

SIM-services are rendered through GSM browsing technology JUST produced by 'Berkut' company. The use of SIM-cards' facilities in conjunction with USSD-transport allows to provide the subscribers with cost-efficient and functional access to all network services and put in the new services with their description displayed immediately in the subscriber terminal menu. The capacity of JUST platform is 30 transactions per second over USSD protocol.

In the II quarter 2006, the centralized CRBT – Color Ring Back Tone platform was put into operation. This platform allows the destination subscriber to choose any ring signal to be heard by the calling subscriber. The service is provided through the equipment produced by a domestic company 'Berkut'.

In 2006 Multi Media Streaming platform was put into operation. This platform allows the GSM/GPRS subscribers to get stream multi-media services and load video content by request.

In 2007 the Company intends to upgrade SPACE platform in order to transmit content through

Cell Broadcast and involve new content-providers.

Besides, Call Catcher platforms shall be installed to allow for Voice SMS&MMS, Voice mail, Multimedia Instant Messaging (MIM) (ICQ services) and ECDS.

7. Call centers

At present, the call centers are established in all regional divisions of the Company.

A wide range of services is being rendered on the basis of the call-centers: Information and Directory Service, outsourcing, subscribers' support, and fee-based information and entertainment services.

One of the call centers' prospective services is the 'Virtual Secretary' service combining the following options: processing of mass calls, voice mailing, auto informer etc. Call centers are also regarded as a potentially new service to be developed under the NGN technology.

8. Subscribers' self-service

At present, an integrated system of subscribers' self-service is operating within the GSM networks of Perm, Sverdlovsk, and Tyumen Region, based on CaReM technology produced by 'Berkut' company.

CaReM system operates with all existing access channels: IVR, SMS, USSD, WAP, WEB. This system allowed to increase the level of subscriber service and to reduce staffing of service centers. The system allows the mobile subscribers to perform changes of their service profiles and necessary payments.

In May 2006 the Integrated Payment System was put into operation through the 'Kiberplat', 'E-port', 'Rapida' payment portals, which made it possible to perform payments over the whole territory of the country. This system is also designed to enable bank settlements for mobile services.

In 2007 the Company plans to increase the capacity of USSD transport system to extend the range of added value services and subscribers' self-services, and to widen CaRem platform by 50 sessions per second.

3.2.3. Raw materials and suppliers of the Issuer

Issuer's suppliers that provide at least 10 per cent of raw materials supplies, and their share in overall supplies volume as of the 2nd quarter 2007:

Company name	Domicile	Share in overall supplies volume as of the 2nd quarter 2007, %
Limited Liability Company 'Tekhnoserv AS'	10, building 3, Smirnovskaya ul., 109052, Moscow, Russia	29

Share of import in the Issuer's supplies of commodities as of the 2nd quarter 2007: **0%**.

Change in prices for raw-materials within the reporting period as compared with the respective reporting period of the previous fiscal year: **total share of raw-materials, fuel and energy makes up nearly 10 per cent of the Issuer's cost value. In the 2nd quarter 2007 there were no substantial changes in prices that could affect considerably the financial state of the Issuer.**

Availability of commodity stocks and supplies in the future: **the Issuer maintains stable partnership with the suppliers.**

3.2.4. Market outlets of the Issuer

Main market segments the Issuer operates in:

Uralsvyazinform renders services over the Urals Federal District and Perm Region of the Russian Federation.

Basic market segments:

- local telephone services;**
- intra-zone telephone services;**
- Internet services and data transfer;**
- mobile telephone services.**

Negative factors affecting Issuer's sales:

Up to the end of 2007 the Issuer does not anticipate essential risks in services sales pertaining to the communications industry. More urgent are the risks pertaining to the Legislation amending:

- Since January 1, the Company has not been authorized to render the long-distance**

communications services anymore, either for its own subscribers or for the interconnected networks subscribers. As a result, the Company doesn't have impact upon the demand for services, either through the pricing, or through promotion practices;

– Since January 2006 the intra-zone market segment has been demonopolised. Due to the development of alternative intra-zone networks, the Company is forced to reduce prices to prevent traffic loss.

Besides, telecommunications industry is characteristic of impetuous emergence and implementation of new products and technologies, and further updating of existing products and services. The negative factor here is the difference in advertising budgets and advertising activity of the federal telecommunications carriers (especially mobile operators) operating at the territory of the Urals Federal District and Perm region.

Issuer's activities aimed at reduction of negative factors' impact:

- **advancement of the range of services;**
- **implementation of next generation technologies;**
- **improvement of services quality;**
- **enhancement of the managers' qualification;**
- **monitoring of peers' activity, prompt reaction to developments revealed;**
- **optimization of production and technology processes;**
- **reduction of products cost;**
- **distinct reasoning of prices formation when reporting to Regulatory authorities;**
- **development of high-profitable new services;**
- **offering of flexible-choice service packages;**
- **development of outsourced sales structures;**
- **continuation of competitive tariff plans development;**
- **increase in advertising and marketing budgets.**

3.2.5. Licenses granted to the Issuer

Licenses for non-core activities essential for the Issuer:

Type of the license	License number and date of issue	Validity
Fire prevention and extinction	№ 1/03947 dd. 03/30/2004	03/30/2004 - 03/30/2009
Construction of buildings with 1 and 2 building criticality rating in accordance with the state standards.	№ ГС-4-59-02-22-0-5902183094-001834-2 dd. 03/30/2004	12/14/2004 - 12/14/2009
Technical protection of confidential information	№ 920 dd. 10/14/2004, issued by the State Technical Commission	10/14/2004 – 08/17/2009
Technical protection of confidential information	YПГ-01418Г dd. 12/27/2004	12/27/2004 - 12/27/2009
Map compilation	YПГ-01419K dd. 12/27/2004	12/27/2004 - 12/27/2009
Assembling, repair and maintenance of means for fire safety of buildings and constructions	№ 2/01832 dd. 05/21/2003	05/21/2003 - 05/21/2008
Assembling, repair and maintenance of means for fire safety of buildings and constructions	№ 2/006906 dd. 03/30/2004	03/30/2004 - 03/30/2009
Exploitation of explosive production objects	№ 00-ЭБ-003379 dd. 09/20/2004	09/20/2004 - 09/20/2009

Information on other licenses granted to the Company is specified in item 3.2.9.

3.2.6. Issuer's activities in co-operation with the partners

Information on the Issuer's activity in co-operation with other enterprises:

Investment objects	Amount of	Investment objectives	Financial result, thousand RUR
---------------------------	------------------	------------------------------	---------------------------------------

			As of the last ended fiscal year	As of the last reporting period completed prior to the end of the last reporting quarter
ZAO 'Uralskysya telefondnaya kompaniya'	5,600,000	Development of telecommunication facilities in Ekaterinburg city, rendering telecommunication services to the subscribers	482	40
ZAO 'Telefondnaya kompaniya 'Ural'	2,979,610	Construction of Automatic Exchange System ATCЭ-11 in Ekaterinburg city, rendering telecommunication services to the subscribers	39	45
Trekhgorniy City Administration	4,804,000	Development of communications infrastructure for common user facilities via integration of existing in Trekhgorniy city communications facilities into a single network.	6,187	3,855
TOTAL	13,383,610		6,708	3,940

3.2.7. Additional requirements imposed on the Issuers that are either incorporated investment funds, insurance enterprises, credit institutions, or mortgage agents

OJSC 'Uralsvyazinform' is not an incorporated investment fund, an insurance enterprise, a credit institution, or mortgage agent.

3.2.8. Additional requirements imposed on the Issuers involved in mining operation

OJSC 'Uralsvyazinform' does not perform mining operations as its core activities. Uralsvyazinform does not have subsidiaries (affiliates) engaged in mining operations.

3.2.9. Additional requirements imposed on the Issuers involved in telecommunications activities

a) Licenses for rendering telecommunications services

Type of operations (type of networks licensed for use)	Territory of license	Number of license, date of state registration	Start date of rendering services / validity of license
Rendering local and intra-zone telephone services (public service networks)	The whole territory of the Company's operation	№23222 dd. 10/04/2002	09/30/2002 -10/04/2012
Rendering local, long-distance and international telephone services (public service networks)	The whole territory of the Company's operation	№23885 dd. 10/04/2002	09/30/2002 – 10/04/2007
Local telephone services with the except of local telephone services rendered through payphones or shared access (public service networks)	The whole territory of the Company's operation	№38225 dd. 01/27/2006	01/27/2006 – 01/27/2011
Intra-zone telephone communications (public service networks)	The whole territory of the Company's operation	№38630 dd. 02/16/2006	02/16/2006 – 02/16/2011
Local telephone services rendered through payphones (public service networks)	The whole territory of the Company's operation	№38354 dd. 01/27/2006	01/27/2006 – 01/27/2011
Rendering data transfer services with the except of voice data transfer services (public service networks)	The whole territory of the Company's operation	№38037 dd. 01/27/2006	01/27/2006 – 01/27/2011
Rendering voice data transfer services in data transfer network (public service networks)	The whole territory of the Company's operation	№37825 dd. 12/23/2005	12/23/2005 – 12/23/2010
Telematic communications services	The whole territory of the Company's operation	№38716 dd. 02/16/.2006	16/02/2006 -16/02/2011

Type of operations (type of networks licensed for use)	Territory of license	Number of license, date of state registration	Start date of rendering services / validity of license
Rendering telegraph communication services (public service networks)	The whole territory of the Company's operation	№23881 dd. 10/04/2002	09/30/2002 - 10/04/2007
Telegraph communications services	The whole territory of the Company's operation	№38953 dd. 02/16/.2006	02/16/2006 – 02/16/2011
Communications channels leasing	The whole territory of the Company's operation	№46204 dd. 12/08/2006	12/08/2006 – 12/082011
Local telephony with shared access (public service networks)	The whole territory of the Company's operation	№39503 dd. 03/15/2006	03/15/2006 – 03/15/2011
Cellular radiotelephone communications in 900/1800 MHz frequency range (public service networks)	Sverdlovsk region	№30254 dd. 12/30/2003	06/30/2005 – 12/30/2013
Mobile radiotelephone communications in the public service network	Bashkortostan	№37360 dd. 10/04/2005	10/04/2005 – 10/04/2010
Mobile radiotelephone communications (in public service networks)	Perm region	№48924 dd. 03/09/2007	03/09/2007 – 03/09/2009
Mobile radiotelephone communications in public service networks (900/1800 MHz)	Kurgan region	№34341 dd. 08/25/1999	08/25/1999 – 05/15/2007
	Chelyabinsk region	№34342 dd. 08/25/1999	08/25/1999 – 07/05/2007
	Tyumen region, Khanty-Mansyisk Autonomous District, Yamalo-Nenetsk Autonomous District	№34344 dd. 08/01/2005	08/01/2005 – 08/01/2010
Mobile radiotelephone communications (trunking communications) (in public service networks)	Megion city, Khanty-Mansyisk Autonomous District	№23882 dd. 10/04/2002	09/30/2002 – 10/04/2007
Local telephony using radio access (CDMA-800) (public service networks)	Tyumen region	№23879 dd. 10/04/.2002	09/30/2002 – 10/04/2007
Radiotelephone communications services (CDMA-800) (public service networks)	Chelyabinsk region	№23880 dd. 10/04/.2002	09/30/2002 – 10/04/2012
Mobile radiotelephone communications services in public service network (NMT-450 MHz)	Perm region	№34234 dd. 09/01/.2005	09/01/2005 – 09/01/2010
Mobile radiotelephone communications services in public service network (AMPS / D-AMPS)	Tyumen region	№35032 dd. 06/13/2000	06/13/2001 – 12/31/2009
Cellular radiotelephone telecommunications services in 450 MHz frequency range (IMT-MC 450 technology) (public service networks)	Perm region	№30211 dd. 12/30/2003	12/30/2004 – 12/30/2013
Communications services for cable casting (public service networks)	Chelyabinsk city, Magnitogorsk city within Chelyabinsk region	№31484 dd. 04/26/2005	04/26/2007 – 04/22/2010
	Salekhard, Noyabrsk, Gubkinskiy cities within Yamalo-Nenetsk Autonomous District	№33708 dd. 07/28/2005	07/28/2007 – 07/28/2010
	Tyumen city	№36133 dd. 10/31/2005	10/31/2007 – 10/31/2010
	Perm region	№39811 dd. 03/26/2006	03/26/2006 – 03/26/2011
	Kurgan region,	№43985 dd.08/30/2006	08/30/2008 – 08/30/2011

Type of operations (type of networks licensed for use)	Territory of license	Number of license, date of state registration	Start date of rendering services / validity of license
	Sverdlovsk region, Tyumen region, Chelyabinsk region, Khanty-Mansyisk Autonomous District, Yamalo-Nenetsk Autonomous District.		
Communications services for on-air broadcasting (public service networks)	Mekhonskoye, Shatrovo towns within Kurgan region	№32500 dd. 06/17/2005	06/17/2005 – 06/17/2007
	Perm region	№32849 dd. 07/25/2005	07/25/2005 – 06/30/2008
	Sverdlovsk region	№32850 dd. 07/25/2005	07/25/2005 – 06/30/2008
	Yamalo-Nenetsk Autonomous District	№32851 dd. 07/25/2005	07/25/2005 – 06/30/2008
	Chelyabinsk city	№36132 dd. 10/31/2005	10/31/2007 – 10/31/2008
	Langepas town, Surgut city, Khanty-Mansyisk city	№36134 dd. 10/31/2005	10/31/2007-10/16/2008
	Yamalo-Nenetsk Autonomous District	№38449 dd. 01/21/2006	01/27/2006 - 01/27/2009
	Perm region	№39127 dd. 02/16/2006	02/16/2006 - 02/16/2011
	Yamalo-Nenetsk Autonomous District	№41428 dd. 05/25/2006	05/25/2008 – 05/25/2011
	Perm region	№42556 dd. 07/12/2006	07/12/2008 – 07/12/2011
	Khanty-Mansyisk Autonomous District	№43250 dd. 07/28/2006	07/28/2008 – 07/26/2011
	Sverdlovsk region	№47089 dd. 12/27/2006	12/27/2008 - 06/21/2011
	Perm region	№47907 dd. 02/09/2007	02/09/2009 - 12/20/2011
	Yamalo-Nenetsk Autonomous District	№48480 dd. 03/05/2007	03/05/2009 - 06/21/2011
Communications services for on-air broadcasting (DVB-T) (public service networks)	Chelyabinsk city	№40865 dd. 05/12/2006	05/12/2006 – 05/12/2011
Broadcasting of sound programs through the wire broadcasting network (public service networks)	The whole territory of the Company's operation	№24340 dd. 11/28/2002	11/28/2002 – 11/28/2007
Over-the-air television "Ural- Inform TV"	Perm region	№8543 dd. 11/05/2004	11/05/2004 – 11/05/2009
	Oktyabrskiy village within Perm region	№8544 dd. 11/05/2004	11/05/2004 – 11/05/2009
TV program "Vostochnyi Express"	Chelyabinsk region	№11-1634 dd. 09/19/2003	09/19/2003 - Unlimited
On-air broadcasting " Vostochnyi Express "	the Russian Federation	№8548 dd. 11/10/2004	11/28/2002 – 11/28/2007
On-air broadcasting «Khanty-mansyiskokrtelcom»	the Russian Federation	№ 11209, dd. 02/01/2007	02/01/2007 - 01/18/2012
On-air broadcasting «Vostochnyi Express Surgut»	the Russian Federation	№ 11328, dd. 02/08/2007	02/08/2007 - 02/08/2012
Information program " Khanty-mansyiskokrtelcom "	Khanty-Mansyisk Autonomous District, Yamalo-Nenetsk Autonomous District	№ФС77-20903 dd. 08/26/2005	Unlimited

Factors that may negatively affect discharge of the Issuer's obligations imposed by the licenses:

- 1. Restriction of term of license validity (with prolongation .**
- 2. Dependence on decisions taken by the regulating authorities.**
- 3. Sufficiency of funds for purchasing the equipment (requisite amount of investment).**
- 4. Technical and technological risks arising by design process (technology drawbacks, improper choice of equipment).**
- 5. Legal risks (imperfections in legislation, improperly compiled documentation).**
- 6. Construction risks (equipment defects, low-quality raw-materials etc.).**

7. Specific risks pertaining to the use of new non-traditional technologies.

8. Political and economic factors affecting the Company's activity.

9. Force majeure.

Probability of negative factors occurrence: **non-detected**.

b) Telecommunications networks

Installed capacity and digitalization of Automatic Telephone Stations (ATS) as of June 30, 2007:

Division / Company	Installed capacity, thousand numbers	Digitalization level, %
Ekaterinburg division	1,147	67.1
Kurgan division	252	55.7
Perm division	792	76.7
Tyumen division	400	77.7
Khanty-Mansiysk division	416	99.9
Chelyabinsk division	913	67.3
Yamalo-Nenetsk division	127	100.0
OJSC 'Uralsvyazinform'	4,047	73.7

Main performance indices of the Company's divisions as of June 30, 2007:

Index	Unit	Uralsvyazin form	Division						
			Ekaterinburg	Kurgan	Perm	Tyumen	Khanty-Mansiysk	Chelyabinsk	Yamalo-Nenetsk
Input of numbering capacity in the II quarter	number	7,593	3,326	450	1,968	41	288	1,520	0
Growth of number of fixed-line subscribers	number	5,979	1,161	252	0	1,680	0	2,600	286
Input of long-distance Automatic Telephone Stations)	channel	0	0	0	0	0	0	0	0
Growth of number of long-distance and intra-zone transmission lines, total	km	0	0	0	0	0	0	0	0
Growth of length of long distance and international communications channels, total	thousand km	0	0	0	0	0	0	0	0

Fixed-line penetration as of June 30, 2007:

Division / Company	Penetration per 100 persons
Ekaterinburg division	24.4
Kurgan division	23.3
Perm division	27.5
Tyumen division	28.6
Khanty-Mansiysk division	26.6
Chelyabinsk division	25.0
Yamalo-Nenetsk division	22.3
OJSC 'Uralsvyazinform'	25.6

Basic mobile and fixed-line communications systems and frequency ranges utilized by the Issuer:

Communications system	Service territory	Frequencies and frequency ranges
Mobile radiotelephone communications system, GSM-900/1800	Kurgan region	900 MHz, 1800 MHz
	Perm region	
	Sverdlovsk region	
	Tyumen region	
	Khanty-Mansiysk Autonomous District	
	Chelyabinsk region	
Mobile radiotelephone communications system	Yamalo-Nenetsk Autonomous District	900 MHz
	Bashkortostan	

Communications system	Service territory	Frequencies and frequency ranges
GSM-900		
Mobile radiotelephone communications system NMT-450	Perm region	450 MHz
Mobile radiotelephone communications system CDMA-450	Perm region	450 MHz
Mobile radiotelephone communications system CDMA-800	Tyumen region Chelyabinsk region	800 MHz
Mobile radiotelephone communications system AMPS/D-AMPS-800	Tyumen region	800 MHz
Radio paging system DECT	Kurgan region	1880-1900 MHz
	Perm region	
	Sverdlovsk region	
	Khanty-Mansyisk Autonomous District Chelyabinsk region	
Fixed wireless radio paging system eMGW	Yamalo-Nenetsk Autonomous District	1,5 HHZ
Mobile radio communications system MPT 1327	Khanty-Mansyisk Autonomous District	412-422 MHz
Fixed wireless broadband communications system MDMS	Sverdlovsk region	26 HHZ
Fixed wireless broadband communications system AS4020	Sverdlovsk region	3,5 HHZ
Fixed wireless broadband communications system WALKair	Sverdlovsk region	10 HHZ

3.3. Issuer's Prospective Plans

Issuer's prospective plans on implementation of new services:

The Company shall further develop broadband access networks on the basis of different technologies (xDSL, FTTx, Fast Ethernet, WiFi, WiMax etc.) in order to provide access to a majority of added-value services and diverse content.

It shall also be gradually transforming its diverse-traffic networks into a single integrated NGN-network comprising both fixed and mobile network segments. This shall enable the Company to expand the range of subscriber services and give opportunity to the subscribers to configure their own personally-suitable service packages.

Issuer's prospects with regard to the expansion or reduction of production:

The Issuer is not about to reduce production.

The Issuer shall be expanding the range of broadband access services using NGN technologies and further developing added-value services.

Issuer's plans on development of new services:

- ***rendering services of GSM-standard cellular network;***
- ***development of broadband access services;***
- ***development of service packages, including dynamic packages;***
- ***development of convergence services;***
- ***development and promotion of multi-media services on the basis of NGN-network over the whole area of the Issuer's operation;***
 - ***rendering services of intellectual network over the whole area of the Issuer's operation (televoting, FreePhone, PaidPhone, personal number).***
 - ***rendering content and advertising services;***
 - ***development of Call-centers and services on their basis;***
 - ***implementation of fee-based television broadcasting through IPTV technology.***

Detailed information on the new services is given in item 3.2.2.

Issuer's prospective plans for upgrade and reconstruction of fixed assets:

In 2007 the Company plans to allocate RUR 290,685,000 for upgrade and reconstruction of fixed assets. The funds allocated for upgrade and reconstruction shall be utilized as follows:

- ***upgrade of Automatic telephone stations (capital investments volume: 129,794,000 RUR);***
- ***optimization of the Issuer's co-operation with other operators, including upgrade of***

Automatic Telephone Station to ensure the subscriber's option to choose a long-distance operator and to choose a convenient payment system (capital investments volume: 118,422,000 RUR);
– **reconstruction of documentary telecommunications network (capital investments volume: 42, 469,000 thousand RUR).**

3.4. Issuer's participation in industrial, banking, and financial groups, holdings, concerns and associations

Industrial, banking, financial groups, holdings, concerns, and/or associations the Issuer participates in:

1. Full name of organization: **Association of CDMA networks operators**
Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) participates in Association activities, b) obtains assistance in implementation and development of CDMA technology over the Russian communication networks, c) enjoys other benefits granted by the Association**
Term of participation: **since 1998; non-limited**

2. Full name of organization: **Association for Siberia and Far East communications enterprises 'Sibdalsvyaz'**
Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) management of Association activities, b) participation in seminars, international symposiums, meetings of top officials in communications industry arranged by the Association; c) acquisition, on a preferential basis, of educational literature, switching equipment, and other scientific and technical developments offered by the Association**
Term of participation: **since 1994; non-limited**

3. Full name of organization: **Association for regional mobile communication operators "Association-800"**
Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) participation in Association workshops, b) assistance in elaboration of documents governing Association activities**
Term of participation: **since 2005; non-limited**

4. Full name of organization: **Association for Russian GSM networks operators**
Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) participation in Association workshops, b) assistance in elaboration of documents governing Association activities, c) financing of GSM network development within the region**
Term of participation: **since 1996; non-limited**

5. Full name of organization: **Association for quality management in communications and information spheres "International congress for telecommunications quality"**
Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) elaboration of suggestions on behalf of the Congress, b) participation in Committees and working groups, c) participation in conferences, d) accomplishment of contractual works assigned to the Congress, e) presentation of reports at international forums, conferences, seminars, symposiums**
Term of participation: **since 2000; non-limited**

6. Full name of organization: **International GSM-Association**
Issuer's place and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) participation in Association workshops, b) assistance in elaboration of documents governing Association activities**
Term of participation: **since 1996; non-limited**

7. Full name of organization: **Non-profit Partnership 'National Council on Corporate Governance'**
Issuer's position and functions within the organization: **member of Non-profit Partnership**
Issuer's participation in the organization: **a) participation in the Partnership's activity, b) participation in the Partnership's workshops, c) conduction of conferences and seminars**
Term of participation: **since 2006; non-limited**

8. Full name of organization: **Non-profit Partnership "Russian Institute of Directors"**

Issuer's position and functions within the organization: **member of Non-profit Partnership**
Issuer's participation in the organization: **a) participation in the Partnership's activity, b) participation in the Partnership's workshops, c) conduction of conferences and seminars**
Term of participation: **since 2004; non-limited**

9. Full name of organization: **Non-profit Partnership "Russian Club of Communications Operators"**

Issuer's position and functions within the organization: **member of Non-profit Partnership**
Issuer's participation in the organization: **a) management of Partnership activities, b) participation in Committees and working groups, c) participation in seminars, international symposiums, meetings of top officials in communications industry arranged by the Partnership**
Term of participation: **since 2006; non-limited**

10. Full name of organization: **Non-profit Partnership "Center for investigation of challenges in telecommunications development"**

Issuer's position and functions within the organization: **member of Non-profit Partnership**
Issuer's participation in the organization: **a) participation in the Partnership's activity, b) participation in working groups, c) conduction of conferences and seminars**
Term of participation: **since 2001; non-limited**

11. Full name of organization: **Non-profit Partnership 'Elite club for Corporate Conduct'**

Issuer's position and functions within the organization: **member of Non-profit Partnership**
Issuer's participation in the organization: **a) participation in the Partnership's activity, b) participation in working groups, c) conduction of conferences and seminars**
Term of participation: **since 2003; non-limited**

12. Full name of organization: **Public alliance 'Association for documentary telecommunications'**

Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) participation in expositions and conferences organized by the Association, b) participation in Committees and working groups, c) accomplishment of contractual works assigned to the Association, d) performance of a uniform technical policy in alliance with other communications operators within the Russian Federation**
Term of participation: **since 1998; non-limited**

13. Full name of organization: **Volzhski Association of telecommunications and informatics engineers 'Teleinfo'**

Issuer's position and functions within the organization: **member of Association**
Issuer's participation in the organization: **a) participation in Association's workshops, b) assistance in elaboration of documents governing Association activities, c) technical maintenance of regional data transfer networks**
Term of participation: **since 1994; non-limited**

3.5. Dependent and affiliated companies of the Issuer

Daughter business entities of the Issuer:

1. Full name of the company: **Limited Liability Company 'Permskaya teleradiokompaniya 'Ural-Inform TV'**

Address: **2 Krupskoy str., 614060 Russia**

Grounds upon which the company shall be deemed the Issuer's subsidiary: **prevailing participation of the Issuer in the Charter Capital of the given company**

Share of the subsidiary's Charter Capital owned by the Issuer: **100%**

Share of the Issuer's Charter Capital owned by the subsidiary: **no share**

Share of the Issuer's ordinary stock owned by the subsidiary: **no share**

Core business activities of the subsidiary: **television broadcasting; rendering services on on-air broadcasting of TV programs**

Significance of the subsidiary for the Issuer's operation: **outsourcing; obtaining of dividend based on the results of subsidiary's performance**

2. Full name of the company: **Limited Liability Company 'Permtelecom'**

Address: **45, Podlesnaya str., 614062, Perm, Russia**

Grounds upon which the company shall be deemed the Issuer's subsidiary: **prevailing participation of the Issuer in the Charter Capital of the given company**

Share of the subsidiary's Charter Capital owned by the Issuer: **100%**

Share of the Issuer's Charter Capital owned by the subsidiary: **no share**

Share of the Issuer's ordinary stock owned by the subsidiary: **no share**

Core business activities of the subsidiary: **rendering services on TV programs broadcasting through cable networks, construction and maintenance of cable television networks**

Significance of the subsidiary for the Issuer's operation: **outsourcing; obtaining of dividend based on the results of subsidiary's performance**

Issuer's affiliated companies:

1. Full name of the company: **Closed Joint-stock Company 'Kurganskiy sotoviy telefon'**

Address: **151/2 Gogolya str., 640022 Kurgan, Russia**

Grounds upon which the company shall be deemed the Issuer's affiliate: **the Issuer owns over 20 per cent of the company's voting shares**

Share of the affiliate's Charter Capital owned by the Issuer: **50%**

Share of the affiliate's ordinary stock owned by the Issuer: **50%**

Share of the Issuer's Charter Capital owned by the affiliate: **no share**

Share of the Issuer's ordinary stock owned by the affiliate: **no share**

Core business activities of the affiliate: **rendering mobile telecommunications services of NMT-450 standard**

Significance of the affiliate for the Issuer's operation: **outsourcing activities**

2. Full name of the company: **Closed Joint-stock Company 'TeleRoss-Yekaterinburg'**

Address: **13, Antona Valeka str., 620026, Yekaterinburg, Russia**

Grounds upon which the company shall be deemed the Issuer's affiliate: **the Issuer owns over 20 per cent of the company's voting shares**

Share of the affiliate's Charter Capital owned by the Issuer: **50%**

Share of the affiliate's ordinary stock owned by the Issuer: **50%**

Share of the Issuer's Charter Capital owned by the affiliate: **no share**

Share of the Issuer's ordinary stock owned by the affiliate: **no share**

Core business activities of the affiliate: **leasing of telecommunications equipment**

Significance of the affiliate for the Issuer's operation: **outsourcing; obtaining of dividend based on the results of affiliate's performance**

3. Full name of the company: **Closed Joint-stock Company 'TeleRoss-Tyumen'**

Address: **61, Respublika str., 625000, Tyumen, Russia**

Grounds upon which the company shall be deemed the Issuer's affiliate: **the Issuer owns over 20 per cent of the company's voting shares**

Share of the affiliate's Charter Capital owned by the Issuer: **50%**

Share of the affiliate's ordinary stock owned by the Issuer: **50%**

Share of the Issuer's Charter Capital owned by the affiliate: **no share**

Share of the Issuer's ordinary stock owned by the affiliate: **no share**

Core business activities of the affiliate: **leasing of telecommunications equipment**

Significance of the affiliate for the Issuer's operation: **outsourcing; obtaining of dividend based on the results of affiliate's performance**

4. Full name of the company: **Closed Joint-stock Company 'Parma-pension'**

Address: **2, Krupskoy str., 614600, Perm, Russia**

Grounds upon which the company shall be deemed the Issuer's affiliate: **the Issuer owns over 20 per cent of the company's voting shares**

Share of the affiliate's Charter Capital owned by the Issuer: **28,2%**

Share of the affiliate's ordinary stock owned by the Issuer: **28,2%**

Share of the Issuer's Charter Capital owned by the affiliate: **no share**

Share of the Issuer's ordinary stock owned by the affiliate: **no share**

Core business activities of the affiliate: **asset management for non-state retirement funds**

Significance of the affiliate for the Issuer's operation: **non-core activities**

5. Full name of the company: **Closed Joint-stock Company 'Ural-Teleservis'**
 Address: **9, Shevchenko str., room 4222, 620027 Yekaterinburg, Russia**
 Grounds upon which the company shall be deemed the Issuer's affiliate: **the Issuer owns over 20 per cent of the company's voting shares**
 Share of the affiliate's Charter Capital owned by the Issuer: **25,2%**
 Share of the affiliate's ordinary stock owned by the Issuer: **25,2%**
 Share of the Issuer's Charter Capital owned by the affiliate: **no share**
 Share of the Issuer's ordinary stock owned by the affiliate: **no share**
 Core business activities of the affiliate: **rendering data transmission and telematic services**
 Significance of the affiliate for the Issuer's operation: **outsourcing; obtaining of dividend based on the results of affiliate's performance**

6. Full name of the company: **Closed Joint-stock Company 'Uralskaya telefonnaya kompaniya'**
 Address: **57-a, Blukhera str., 620137, Yekaterinburg, Russia**
 Grounds upon which the company shall be deemed the Issuer's affiliate: **the Issuer owns over 20 per cent of the company's voting shares**
 Share of the affiliate's Charter Capital owned by the Issuer: **23%**
 Share of the affiliate's ordinary stock owned by the Issuer: **23%**
 Share of the Issuer's Charter Capital owned by the affiliate: **no share**
 Share of the Issuer's ordinary stock owned by the affiliate: **no share**
 Core business activities of the affiliate: **rendering local communications and data transmission services**
 Significance of the affiliate for the Issuer's operation: **outsourcing; obtaining of dividend based on the results of affiliate's performance**

3.6. Composition, structure and value of the Issuer's fixed assets, prospects of acquisition, replacement, retirement of fixed assets, as well as all facts of fixed assets encumbrance

3.6.1. Fixed assets

Fixed assets acquisition (replacement) value and accumulated depreciation as of June 30, 2007:

Group of fixed assets	Acquisition (replacement) value of fixed assets, thousand RUR	Accumulated depreciation, thousand RUR
Parcels of land and natural resource objects	75,466	-
Buildings	5,566,564	1,208,942
Installations (except for the communication lines)	3,320,655	724,759
Transmission installations (communication lines and radio networks)	13,017,066	4,901,667
Switchboards	10,640,033	4,548,594
Other networks equipment	25,383,284	10,193,515
Computer facilities and office equipment	2,230,531	1,201,571
Other machines and equipment	2,707,928	1,092,184
Transport	652,494	542,877
Other fixed assets (not included into other groups)	781,699	477,644
TOTAL	64,375,720	24,891,753

Information on the Issuer's fixed assets encumbrance:

Characteristics of the object	Encumbrance	Term of encumbrance (restraint) validity
I. Buildings (premises)		
Space, square meters: 63,376.0 Quantity: 1 072	rent	under 1 year
Space, square meters: 1,839.0 Quantity: 26	rent	1 year and over
II. Parcels of land		
Space, square meters: 16,781.5 Quantity: 20	rent	under 1 year

Space, square meters: 0 Quantity: 0	rent	1 year and over
III. Installations		
Quantity: 113	rent	under 1 year
Quantity: 0	rent	1 year and over
IV. Engineering and technical equipment		
Book value, thousand RUR: 12,283,593.57	pledge	1 year and over
Book value, thousand RUR: 2,514,117.2	guarantee	1 year and over

Information on encumbrance of the Issuer's fixed assets provided that the term of encumbrance is one year and over:

Object	Encumbrance	Start date of encumbrance	Term of encumbrance	Other conditions
I. Buildings (premises)				(room space, square meters)
In-built non-residential premises, Sverdlovsk region, 37 Vatutina str., Pervouralsk, Russia	rent	12/01/2006	12/01/2011	117.00
In-built non-residential premises, Sverdlovsk region, 37 Vatutina str., Pervouralsk, Russia	rent	12/15/2006	12/15/2009	276.00
Building ATC-53, 27, Ispanskikh rabochikh ul., Ekaterinburg	rent	08/01/2007	07/31/2012	300.00
ATC building, 1 Krasnykh Partisan ul., selo Pokrovskoye, Russia	rent	12/01/2006	12/01/2011	17.50
Non-residential building (ATS-65), 10 Tsvillinga str., Chelyabinsk	rent	03/10/2004	03/09/2009	113.50
Non-residential building - ATS, 79 buid. 1, Karl Marks avenue, Magnitogorsk city, Russia	rent	01.12.2005	30.11.2010	26.70
Repeater station building, 82, Lenin str., Yarkovo village, Tyumen region	rent	13/09/2001	13/09/2026	259.00
Part of non-residential premise, 65, Mira str., Khanty-Mansiysk, Russia	rent	01/01/2006	12/31/2006	0.50
Building for ATS-12. 9, 25 th of October str., Perm, Russia	rent	10/10/2006	09/30/2011	131.50
Non-residential buildings, 10, Kultury ul., Perm region, Lobanovo village	rent	05/21/2007	11/20/2008	17.20
ATC-25 building, 63, Karpinsky ul., Perm	rent	04/01/2007	08/30/2008	187.20
ПС-61/3 buildings, 4Б, Uinskaya ul., Perm	rent	04/01/2007	08/30/2008	122.46
Building, 18, Uchebnaya ul., Kizel	rent	04/01/2007	08/30/2008	30.30
Non-residential building. 35, 50 let Octiabrya ul/, Kudymkar	rent	11/01/2005	02/28/2007	11.60
Non-residential building. 21, Sovetskaya ul., Orda village, Perm region, Russia	rent	04/01/2005	05/30/2006	9.00
Non-residential building. 19, Sovetskaya ul., Tchaikovsky town, Russia	rent	06/01/2005	05/30/2007	3.00
Non-residential building. 28, Lenin ul., Tchaikovsky town, Russia	rent	11/01/2004	10/29/2007	100.30
Non-residential building. 19, Sovetskaya ul., Tchaikovsky town, Russia	rent	12/23/2003	12/31/2007	0.62
Non-residential building. 28,	rent	12/23/2003	12/31/2007	1.04

Object	Encumbrance	Start date of encumbrance	Term of encumbrance	Other conditions
Lenin ul., Tchaikovsky town, Russia				
Non-residential building, 16, Traktovaya str., Oktyabrski village, Perm region, Russia	rent	10/01/2002	12/31/2007	2.00
Non-residential building, 7 Jubileinaya str., Chernushka town, Russia	rent	11/01/2002	11/01/2007	2.00
Non-residential building, Lenin str., B. Gondyr village, Kuedinskyi district, Perm region, Russia	rent	12/31/2004	12/31/2007	89.00
Non-residential building, V. Usa village, Kuedinskyi district, Perm region, Russia	rent	10/29/2002	12/31/2007	2.00
Non-residential building, 31b Kommunisticheskaya str., Chernushka town, Russia	rent	10/01/2005	12/31/2007	6.80
Non-residential building, 31b Kommunisticheskaya str., Chernushka town, Russia	rent	09/01/2005	12/31/2007	7.40
Non-residential building, 7 Jubileinaya str., Chernushka town, Russia	rent	12/05/2004	11/05/2007	3.00
Non-residential building, 16 Traktovaya str., Oktyabrsky village, Perm region, Russia	rent	01/09/2004	12/31/2007	2.00
II. Engineering and technical equipment				(book value, RUR thousand)
Equipment	pledge	10/20/2004	1 year and over	604,635
Equipment	pledge	08/25/2004	1 year and over	830,688
Equipment	pledge	03/28/2004	1 year and over	872,905
Equipment	pledge	08/02/2005	1 year and over	593,204
Equipment	pledge	08/02/2005	1 year and over	453,289
Equipment	pledge	09/28/2005	1 year and over	481,242
Equipment	pledge	07/07/2006	1 year and over	1,368,102
Equipment	pledge	09/06/2005	1 year and over	682,354
Equipment	pledge	08/19/2006	1 year and over	507,144
Equipment	pledge	10/25/2006	1 year and over	477,869
Equipment	pledge	08/28/2006	1 year and over	679,487
Equipment	pledge	10/09/2006	1 year and over	1,087,716
Equipment	pledge	10/20/2006	1 year and over	739,989
Equipment	pledge	10/24/2006	1 year and over	1,293,006
Equipment	pledge	10/23/2006	1 year and over	320,544
Equipment	pledge	04/24/2007	1 year and over	768,536
Equipment	pledge	04/24/2007	1 year and over	522,876
Equipment	guarantee	Date of Guarantee Contract conclusion	1 year and over	2,514,117.2
TOTAL				14,797,710

IV. Financial and business performance of the Issuer

4.1. Issuer's financial and operating results

4.1.1. Profit and loss

Index	Calculation method	Index value in the reporting period	
		II quarter 2006	II quarter 2007
Revenues, thousand RUR	Overall amount of sales revenues	7,990,411	9,773,409
Gross profit, thousand RUR	Sales profit – product cost (with business and administrative expenses excluded)	2,017,707	2,184,159
Net profit (undistributed profit (uncovered loss)), thousand RUR	Net profit (loss) as of the reporting period	554,998	1,049,735
Return on Equity, %	Net profit) / (Capital and reserves – target financing + future profits – repurchased own stock) * 100	3.06	5.21
Return on Total Assets, %	(Net profit) / (Book value of assets) * 100	1.16	2.07
Net profit ratio, %	(Net profit) / (Revenues) * 100	6.95	10.74
Cost to Revenue rate, %	(Sales profit) / (revenues) * 100	25.25	22.35
Turnover of capital	Revenues / (Book value of assets – Short-term debts)	0.22	0.28
Uncovered loss as of the reporting date, thousand RUR	Uncovered loss of past years + Uncovered loss of the reporting year	–	–
Uncovered loss/ total balance ratio, %	(Uncovered loss as of the reporting date) / (Book value of assets)	–	–

Economic analysis of the Issuer's cost effectiveness based on the dynamics of indices denoted.
Reasons for profit/loss shown in the financial statements:

In the 2nd quarter 2007 the Issuer's sales revenues increased by 22.3% as compared with the 2nd quarter 2006 and totaled RUR 9,773.4 mln.

Gross profit as of the 2nd quarter 2007 totaled RUR 2,184.16 mln. Growth to the comparable last year's period by 8.2% was caused by the growth of the sales revenues.

Net profit as of the 2nd quarter 2007 increased by RUR 494.74 mln. to the comparable last year's period, which resulted in considerable growth of Return on Equity, Return on Total Assets, and Net Profit Ratio.

The decrease in Cost to Revenue rate is caused by outrunning growth of revenues as compared with the sales profit (for the period from June 30, 2006 to June 30, 2007 revenues increased by 22.3%, sales profit by 8.3%).

Increase in Turnover of Capital is caused by the growth of revenues.

The Company's profitability, as a whole, proved to be sufficiently high as of the last reporting date.

4.1.2. Factors causing the change of Issuer's sales revenue and Issuer's profit (loss) on ordinary activities

1. In the 2nd quarter 2007 the growth of revenues as compared with the 2nd quarter 2006 totaled 122%, overall growth totaled RUR 1,783.0 mln.

Revenues from telecommunications services reached RUR 9,237.7 mln. (growth to the 2nd quarter 2006 made up 22%, i.e. RUR 1,672.1 mln.).

Change of sales revenues in major lines of business:

- *intra-zone services: growth by 109% (+ RUR 616.4 mln.);*
- *local services (Urban telephone network + Rural telephone network): growth by 5% (+ RUR 127,3 mln);*
- *wireless services: growth by 22% (+ RUR 549.0 mln.);*
- *Internet and unregulated data transfer services: growth by 53% (+RUR 269.4 mln.);*
- *revenues from communications operators: growth by 9 % (+ RUR 113,4 mln.);*
- *other communications services (document communication, wire broadcasting, tele- and radio broadcasting, other services): decrease by 0,2% (- RUR 3.4 mln.);*
- *other spheres of activities (leasing, agent's fees, revenues from Co-operation Agreements with other carriers etc.): growth by 26% (+ RUR 110.9 mln.).*

2. In the 2nd quarter 2007 the growth of expenditure on ordinary activities as compared with the 2nd quarter 2006 made up 127%, overall growth totaled RUR 1,616.5 mln.

Change of expenditure on cost items looks as follows:

- depreciation of fixed assets: growth by 14% (+ RUR 131 mln.);
- lease payments: growth by 48% (+ RUR 151 mln.);
- outside organizations' services on repair and maintenance: growth by 71% (+ RUR 138 mln.);
- material expenditure (including repair parts): growth by 8% (+ RUR 23.5 mln.);
- heat and power expenditure: growth by 14% (+ RUR 13 mln.);
- labor costs: decrease by 1% (- RUR 17 mln.);
- expenses for operators' services: growth by 110% (+ RUR 650 mln.);
- agent services expenses: growth by 91% (+ RUR 300 mln.).

3. In the 2nd quarter 2007 the growth of sales profit as compared with the 2nd quarter 2006 totaled 108%, overall growth totaled RUR166 mln.

4.2. Issuer's liquidity, sufficiency of the capital and current assets

Indices showing the Issuer's liquidity as of the respective reporting period

Index	Recommended method of calculation	Index value	
		II quarter 2006	II quarter 2007
Own current assets, thousand RUR	Capital and reserves (with repurchased stock excluded) – Target Financing + Deferred Revenues – Fixed Assets	-24,367,354	-25,202,254
Permanent capital assets ratio	(Fixed Assets + Long-term receivables) / Capital and reserves (with repurchased stock excluded) – Target Financing + Deferred Revenues	2.35	2.25
Current liquidity ratio	(Current assets – Long-term receivables) / (Current liabilities (with deferred revenues excluded))	0.50	0.34
Quick ratio	(Current assets – Store – Input value added tax– Long-term receivables) / (Current liabilities (with deferred revenues excluded))	0.33	0.26
Own funds autonomy ratio	(Capital and reserves (with repurchased stock excluded) – Target Financing + Deferred Revenues) / (Fixed Assets + Current assets)	0.38	0.40

Economic analysis of the Issuer's liquidity, paying capacity, and capital adequacy based on the dynamics of indices denoted above:

Deficit of own current assets is the reflection of the current situation with all Svyazinvest holding's companies. It shows that the investments of the Company are partially financed by means of the raised funds. At present the Company's policy is aimed at financing of capital investments by means of its own funds.

Factors that caused the change of any of the denoted indices by more than 10 percent as compared with the respective preceding reporting period:

The decrease of Current liquidity ratio from 0.50 in the 2nd quarter 2006 to 0,34 in the 2nd quarter 2007 is caused by the decrease of current assets (most of all, stock and monetary assets) and growth of short-term debts on loan facilities.

4.3. Amount and structure of the Issuer's capital and current assets

4.3.1. Amount and structure of the Issuer's capital and current assets

Amount and structure of the Issuer's capital and current assets as of the respective reporting period:

Index	Index value
-------	-------------

	II quarter 2006	II quarter 2007
Charter Capital, thousand RUR	4,816,167	4,816,167
Overall value of own stock repurchased by the Issuer to be sold afterward, thousand RUR	-	-
Share of own stock repurchased by the Issuer of overall amount of placed shares (Charter Capital), %	-	-
Capital reserves, thousand RUR	240,808	240,808
Earned Capital, thousand RUR	4,868,901	4,774,428
Retained Net Profit, thousand RUR	8,097,732	10,228,260
Total capital, thousand RUR	18,023,608	20,059,663

Structure and amount of the Issuer's current assets in accordance with the financial statements:

Index	Index value			
	II quarter 2006		II quarter 2007	
	thousand RUR	share, %	thousand RUR	share, %
Stock	999,703	17.15	816,198	11.97
Input value added tax	792,874	13.60	409,825	6.01
Accounts receivable	3,253,276	55.80	4,098,805	60.14
Short-term financial investments	224	0.00	-	-
Cash flow	765,550	13.13	233,135	3.42
Other current assets	18,781	0.32	15,538	0.23
Total amount of current assets	5,830,409	100.00	5,573,501	100.00

Economic analysis of dynamics of indices denoted:

The following changes occurred in the current assets' structure in the 2nd quarter 2007:

- **the share of Store in current assets' structure decreased due to the implementation of Store optimization policy;**
- **the share of Input value added tax decreased due to the alteration of VAT deduction procedure.**

Sources of the Issuer's current assets financing:

Issuer's current assets are financed from the borrowed and own funds. Borrowed funds are major source of current assets financing. Own current assets deficiency is caused by implementation of the investment program aimed at market penetration, carrying-out the national program for rendering telecommunications services, promotion of new services and enhancing their quality.

Issuer's policy on current assets financing:

The Issuer takes the following measures to reduce the deficit of own current assets:

- **acquisition of extra income through the financing of investment program;**
- **reduction and optimization of investment portfolio;**
- **enhancement of current assets efficiency by optimization of their structure and increase of their turnover.**

4.3.2. Financial investments of the Issuer

Overall amount of financial investments of the Issuer as of June 30, 2007 (RUR thousand): **44 039** including general book value of securities of the Issuer's subsidiaries and affiliates owned by the Issuer, as of June 30, 2007 (RUR thousand): **1 699**

Issuer's financial investments that constitute 10 or more per cent of overall amount of its financial investments as of June 30, 2007:

1. Investment in issue securities:

a) type of securities: **shares**

Name of the Issuer: **Open Joint-stock Company "Informatsionnyie Tekhnologii Svyazi" ("Svyazintekh")**

Address: **38, Prechistenka ul., 119034, Moscow, Russia**

Amount of the securities owned by OJSC "Uralsvyazinform": **1 259 104**

Overall par value of the securities: **RUR 12 591 040**

Overall book value of the securities: **RUR 12 591 040**

Amount of announced dividend on ordinary shares, and term of payment: **RUR 1 636 835.2 term of payment: from 07/01/2007 to 12/20/2007.**

b) type of securities: **shares**

Name of the Issuer: **OJSC "Svyaz-Bank"**

Address: **7, Tverskaya ul., 125375, Moscow, Russia**

Amount of the securities owned by OJSC "Uralsvyazinform": **112 403 469**

Overall par value of the securities: **RUR 11 240 346.9**

Overall book value of the securities: **RUR 11 231 328**

Amount of announced dividend on ordinary shares, and term of payment: **Annual General Shareholders' Meeting (Protocol # 21, dd. June 28, 2007) adopted the resolution not to pay dividend.**

2. Investments in other types of securities:

There are no investments in other types of securities that would constitute 10 or more per cent of overall amount of the Issuer's financial investments as of the end of the reporting period.

3. Other financial investments:

There are no other financial investments that would constitute 10 or more per cent of overall amount of the Issuer's financial investments as of the end of the reporting period.

4.3.3. Intangible assets of the Issuer

Intangible assets acquisition (replacement) value and accumulated depreciation as of June 30, 2007:

Group of intangible assets	Acquisition (replacement) value, thousand RUR	Accumulated depreciation, thousand RUR
Exclusive rights to computer software, and data bases	352	247
Exclusive rights to the trade marks and service marks	4 811	1 885
Other intangible assets	3 585	3 585
TOTAL	8 748	5 717

4.4. Policies and expenses of the Issuer to the science and technology, licenses and patents, research and development

Issuer's policies in the sphere of R&D in the 2nd quarter 2007:

The Issuer doesn't perform research and development by itself. All R&D works are performed by outside organizations (Federal State Unitary Enterprise 'Central Scientific Telecommunications Institute', Federal State Unitary Enterprise 'Leningrad Industrial Scientific Telecommunications Institute'; Open Joint-Stock Company 'Algorcom' etc).

The Company makes capital investments in advanced high-tech projects for telecommunications networks development, these are:

- **cable television;**
- **upgrade of telephone network using NGN technology;**
- **creation of packet switching network on the basis of multi-service network;**
- **development of optical networks providing broadband and multi-service access;**
- **intra-zone and radio-relay transport networks;**
- **wireless access systems;**
- **mobile telecommunications networks of GSM-900/1800 standards;**
- **Internet;**
- **intellectual network.**

General information on the Issuer's main intellectual property objects and results of their utilization:

Intellectual property object	Registration number	Date of registration	Term of validity	Registering authority	Main spheres of use	Purpose of use
Trade mark (service mark) Uralsvyazinform	311035	05/18/2006	05/18/2015	Russian Agency for Patents and Trademarks	Supply of services	Used as the Company's main trade mark
Automated system for communications	2003611948	08/27/2003	12/30/2013	Russian Agency for Patents and	Supply of telecommunication	Used for settlement of accounts for

Intellectual property object	Registration number	Date of registration	Term of validity	Registering authority	Main spheres of use	Purpose of use
services settlements "Ural-Svyaz"				Trademarks	services and settlements for the services rendered	telecommunications services
Trade mark (service mark) Utel	295752	06/17/2005	06/17/2015	Federal Service for Intellectual Property, Patents and Trademarks	Supply of services	Used for promotion of telecommunications services
Complex trade mark (service mark) Utel	302483	09/26/2005	09/26/2015			
Trade mark (service mark) Vostochniy Express (Восточный экспресс)	181887	04/07/1998	04/07/2008	Russian Agency for Patents and Trademarks	Television and radio broadcasting	Tele- and radio broadcasting services are rendered under this trade mark
Trade mark (service mark) VE (ВЭ)	186532	04/07/1998	04/07/2008	Russian Agency for Patents and Trademarks	Television and radio broadcasting	Tele- and radio broadcasting services are rendered under this trade mark
Trade mark (service mark) VOSTOCHNYI EXPRESS (ВОСТОЧНЫЙ ЭКСПРЕСС)	169217	10/08/1996	10/08/2006	--/--	--/--	--/--
Trade mark (service mark) Pyedestal (Пьедестал)	197874	10/18/1999	10/18/2009	--/--	--/--	--/--
Trade mark (service mark) Telefact (Телефакт)	202266	10/18/1999	10/18/2009	--/--	--/--	--/--
Trade mark (service mark) FREESTYLE ("ФРИСТАЙЛ")	309895	04/25/2005	04/25/2015	Federal Institute for Industrial Property	Supply of services	Mobile telecommunications services are rendered under this trade mark

Results of the use of the trademark Utel by the Issuer:

The Company renders GSM-standard telecommunications services, data transfer services and new types of services under the trademark Utel (certificate of state registration №302483).

In the 2nd quarter 2007 managers of the Company's commercial sector in association with the advertising and media agencies were developing creative advertising concepts for promotion of priority services (traditional telecommunications services, mobile services, new services) over the territories of the Company's divisions.

Promotion policy, means and methods of advertising were, for the most, aimed at the raise of mobile subscriber base, growth of the number of xDSL-technology Internet subscribers, and building of positive image and high level of familiarity of existing and potential subscribers with the trade mark Utel.

In the 2nd quarter 2007 the Company continued to extend the Utel trademark over GSM service packages, data transfer services and local telephone network services. Thus, in the 2nd quarter 2007 the Company sold 7.5 thousand service packages.

4.5. Trend analysis of the core business of the Issuer

The main trends of telecommunications industry development:

Telecommunications is one of the most swiftly developing industries in the Russian economy. In 2006 earnings within the industry totaled 783.6 bln (growth by 26.6% to 2005). As calculated in current scale of prices, growth rate for the last 5 years made up 132.52% (in 2002 it totaled 273.2 bln RUR; in 2003 – 395.6 bln RUR; in 2004 – 540.3 bln. RUR, in 2005 – 660 bln RUR).¹ In 2006 the share of telecommunications industry in GDP structure totaled 3%.

¹ <http://www.minsvyaz.ru/industry/1193/>

Within last years the structure of industry earnings has undergone certain changes: the share of earnings from mobile services has been growing considerably, while the share of earnings from fixed-line services has been decreasing.

One of the main trend of telecommunications industry development is its liberalization. Lately, newly-developed and adopted Acts were brought into action, aimed at liberalization of the industry and empowerment of customers. Due to the innovations described, long-distance market has been demonopolised.

Telecommunications market is getting more and more competitive. Swiftly developing mobile communications market comes to maturity. Telecommunications operators are looking for the new opportunities for growth and find them in development of broadband access and broadband-based value-added services. They invest money in the development of NGN networks and broadband 'last mile'.

Main factors affecting the situation within the telecommunications industry:

- **changes in the state regulation of the industry (price formation policy, availability of licenses, state reforms);**
- **general state of the country' economy;**
- **development of new technologies.**
- **changes in requirements and preferences of the customers as a consequence of emergence and development of new technologies and alteration of economic environment.**

Estimated results of the Issuer's operation in telecommunications industry:

Generally, in the 2nd quarter 2007 the Issuer obtained positive operating results, having enhanced revenues on telecommunications services by 19% as compared with the 2nd quarter 2006. Growth of revenues is caused by the growth of service volumes, active development of xDSL Internet services, inflow of fixed and mobile subscribers, and growth of subscribers' interest to additional services.

Growth of the Issuer's income from major lines of business:

- **Internet – 172%;**
- **GSM-standard mobile services – 133 %;**
- **local services – 105 %.**

Compliance of the Issuer's operation results with the trends of the industry development:

In the 2nd quarter 2007 the growth of income on telecommunications services within the industry totaled:

- **Internet – 155%;**
- **GSM-standard mobile services – 142%;**
- **local services – 104%.**

4.5.1. Analysis of factors and conditions affecting Issuer's activity

Factors and conditions exerting influence upon the Issuer's activities. Actions taken by the Issuer for effective exploitation of these factors and conditions.

№	Factors	Influence	Term of influence	Results	Exploitation of factors by the Issuer
1	Amendments in legislation	Growth of competition, expansion of consumers' rights	Constant	Growth of competition influence upon the Issuer; Growth of expenses for compliance with the altered legislation; Occurrence of new source of finance: social services	Investments in development of network for rendering social services; Growth of the Company's image due to participation in social programs; Growth of subscriber base
2	Technological progress	Appearance of alternative telecommunications technologies; Technologies and services convergence	Constant	Growth of competition; Necessity of investment in new technologies; Occurrence of new business prospects	Introduction of new services (broadband access and convergence services); Saving on capital and operating costs by using new technologies
3	Economic status of the country and region, level of	Change in demand for telecommunications services	Constant	Positive dynamics of economy development and growth of population	The Issuer intends to develop new services (primarily, broadband

№	Factors	Influence	Term of influence	Results	Exploitation of factors by the Issuer
	public prosperity			prosperity facilitate the growth of demand for telecommunications services, including new services	access and convergence services)
4	Market competition	Growth of competition causes the decrease of margin and emergence of additional expenses for marketing and sales promotion	Constant	Restriction of income base growth potential due to the growth of tariffs; growth of expenses for marketing and sales promotion; need for costs reduction	The Issuer undertakes measures on costs reduction, including the use of outsourcing; the Issuer plans to fill the market with unique products protected from copying by the competitors
5	Growth of influence exerted by the customers	Necessity of investments in the quality of client services	Constant	Necessity of investments in the quality of client services ensuring the loyalty of customers	The Issuer plans to certify its quality management system under ISO 9000 standards.
6	Shift in customers' needs and preferences	Necessity of investments in development of new technologies and services	Constant	Shift of the product life style	The Issuer is currently expanding and strives for future expanding of the product portfolio. Thus, the Issuer plans to alter the income structure by increasing of share of profit-making services.

4.5.2. Peers

Main existing and assumed competitors of the Issuer in core fields of activity:

In local services market of the Urals Federal District (including Perm region) there are no strong competitors to the Issuer. In the 2nd quarter 2007 the share of income in local services market made up 82% over the Issuer's area of operation.

Tough competition exists in mobile communications sector, where the Issuer competes with federal-scale operators.

Main peers of the Issuer (mobile services):

Operators	Share of income from telecommunications services (2 quarter 2007)
OJSC 'Uralsvyazinform' (under Utel trade mark)	42%
Total share of other operators, among which:	58%
OJSC 'Mobile TeleSystems' (MTS)	18%
CJSC 'Urals Mobile Networks' (Megafon)	20%
OJSC 'Vostok-Zapad Telecom' (BeeLine)	10%

In the 2nd quarter 2007 the share of the Issuer's income from Internet services made up 55%. Among its main competitors there are both national and local operators.

In spite of the tough competition and absence of the license for long-distance services since January 1, 2006, Uralsvyazinform has been retaining leading positions on telecommunications market in the 2nd quarter 2007. The share of the Issuer's income from telecommunications services in the Urals Federal District (including Perm region) made up 52%.

Services	Share of Uralsvyazinform's income from telecommunications services (2 quarter 2007)
Local services	82%
Long-distance/international/intra-zone services	39%
Mobile services	42%
Internet and data transfer	55%

Factors facilitating the Issuer's competition:

- **availability of all types of the 'last mile';**
- **well-developed network infrastructure;**
- **well-developed service and sales network;**
- **wide range of services;**
- **capability of rendering local and mobile services;**
- **possibility of rendering bundled services;**
- **promotion of bundled services based on a dominating service within the package;**
- **possibility of concentration of 80% of the local traffic in the domestic network**
- **availability of inter-regional intellectual fixed-line platform and pre-paid mobile communications platform;**
- **good relations of the Issuer with the government authorities;**
- **competitive pricing;**
- **high level of credence from the citizens and business sector;**
- **Issuer's geography of operation: operations over the regions with high-yield subscribers (Khanty-Mansyisk, Yamalo-Nenetsk Autonomous Districts and Sverdlovsk Region).**

Main competitive advantages of the Issuer are based on effective use and development of the 'last mile', network and infrastructural resources and wide range of services rendered.

Further growth of competitive power shall be provided through:

- **development and upgrade of own telecommunications networks;**
- **business-processes optimization;**
- **new services start-up;**
- **implementation of certification practices aimed at compliance with international and internal quality standards and growth of service quality;**
- **lowering of timeframes for services activation;**
- **implementation of technological innovations;**
- **involvement and training of qualified personnel;**
- **constant enhancement of the Company's efficiency.**

V. Details of the persons - members of the Issuer's governing bodies, internal control and supervisory bodies; brief overview of the issuer's staff

5.1. Structure and competence of the Issuer's governing bodies

Structure of the Company's governing bodies:

- **General Shareholders' Meeting (supreme governing body of the Company);**
- **Board of Directors (collegial executive body of the Company that performs general governance of the Company's activities);**
- **Management Board (collegial executive body of the Company that ensures execution of resolutions adopted by the General Shareholders' Meeting and Board of Directors);**
- **General Director (sole executive body that manages routine activity of the Company).**

Competence of the General Shareholders' Meeting of the Issuer in accordance with the Issuer's Charter:

Extract from the Issuer's Charter:

Article 12. General Shareholders' Meeting

"12.1. The supreme Company body is the General Shareholders Meeting.

12.2. The aspects listed below are the competence of the General Meeting, and cannot be resigned to the Board of Directors, General Director or Managing Board of the Company

1) amending and editing the Company Charter or approval of re-editions of the Company Charter with an exception of cases stated in the Federal Law "On Joint Stock Companies", provided such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

2) Reorganization of the Company, provided such decisions are being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

3) Liquidation of the Company, appointment of the liquidation commission and approval of intermediate and final liquidation balance sheet, provided such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

4) Election of Board of Directors members, effected by the means of cumulative votes;

5) Pre-term termination of powers of Board of Directors members, provided such decisions being approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

6) Definition of number, nominal value, category (type), of authorized shares of the Company, as well as rights, provided by these shares, provided such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

7) Increase of the Company charter capital by raising share par value provided such decisions being approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

8) Increase of the Company charter capital by placing additional issues of shares via open subscription provided the number of such shares placed exceeds 25 per cent of outstanding common stock of the Company, such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

9) Increase of the Company charter capital by placing additional issues of shares via close subscription, such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

10) Decrease the Company charter capital by means of reduction of nominal value of shares, purchase of a part of shares in order to decrease their overall number and redemption of shares acquired or repurchased by the Company provided that such decisions are approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

11) Election of the Company auditing committee and pre-term termination of its powers, provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

12) Approval of the Company auditors, provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

13) Approval of annual reports, Company's annual accounting including profit and loss statement, along with allocation of profits, incl. dividend pay-out (declaration), and Company loss, in compliance with results of a given fiscal year, provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

14) Establishing the procedure of Annual General Meetings provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

15) Splitting and consolidation of shares provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

16) Entering into deals with conflict of interests, such decisions to be taken in cases thereunder and in compliance with Article 11 of Federal law "On Joint-Stock Companies";

17) Entering into major deals connected with both explicit or implicit acquisition and alienation or possible alienation of assets, the price of which exceeds 50 per cent of the book value of Company assets according to the accounting as of the last reporting date, with an exception of transactions being made within regular economic activities of the Company, transactions concerning subscription-based placement (realization) of common shares, and transactions connected with placement of stock swapped into common shares of the Company provided that such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

18) Participation in holding companies, financial and industrial groups, associations and other commercial organizations provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

19) Approval of internal documents, regulating activities of Company bodies provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

20) Placement of corporate bonds, swapped into shares, and placement of other securities, swapped into shares, provided the bonds (other securities) are placed through the closed subscription scheme, or if open subscription, the convertible bonds may be swapped into common shares of the Company, exceeding 25% of shares earlier placed, provided that such decisions being approved by at least three quarters of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

21) Decision that expenses for preparation and holding the Extraordinary General Meeting should be borne by the Company provided the EGM has been convoked in defiance of requirements of the Russian Federation legislation in force, i.e. not based on a decision of the Board of Directors, but by other persons, provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

22) Devolution of powers from the sole executive body of the Company to the controlling organization, or managing director provided that such decision is approved by majority of votes belonging to the shareholders - holders of voting shares of the Company, participating in the AGM;

23) Other issues provided for by the Federal Law "On Joint-Stock Companies" and this Charter.

12.3. The Annual General Meeting is solely entitled to make decisions concerning the issues, provided in Items 2, 7, 8, 9, 15-19, 23 of Article 12.2 of the present Company Charter upon the recommendation of the Board of Directors. At this rate, the persons that are authorized to introduce items to the agenda of the AGM or EGM in compliance with the Russian Federation legislation in force are not entitled to require introduction of the listed issues with the Board of Directors.

The AGM does not have a right to consider or take any decisions on issues that are not part of its terms of reference pursuant to the Federal Law "On Joint-Stock Companies".

The AGM is not entitled to take decisions on items that are not included in the agenda, as well as change the agenda."

Competence of the Issuer's Board of Directors in accordance with the Issuer's Charter:

Extract from the Issuer's Charter:

Article 13. Competence of the Issuer's Board of Directors in accordance with the Issuer's Charter:

"13.4. The exclusive competence of the Board of Directors is as follows:

1) Determination of priority guidelines of the Company, including approval of annual budget, medium-term and long-term budgets, strategies and development programs of the Company, amendment of the said documents and control of their fulfillment;

2) Preliminary approval of operations being over the stated Company annual budget;

3) Convocation of annual and extraordinary General Meetings of Shareholders, except for cases stipulated in Article 55.8 of Federal Law "On Joint-Stock Companies";

- 4) Approval of the General Meeting's agenda;
- 5) Fixing of the cut-off date to compile the list of persons entitled to participate in the Annual General Meeting, and other issues being the competence of the Board of Directors pursuant to provisions set forth in Article 7 of Federal law "On Joint-Stock Companies", and relating to preparations and holding of General Meetings.
- 6) Preliminary approval of Annual Report of the Company;
- 7) Increase in the charter capital through placement of additional share issues within the number of authorized shares, stipulated hereof except for cases set forth in items 8 and 9 of Article 12.2 hereof;
- 8) Placement of bonds or other securities in case placement conditions provide that the securities hereof are not convertible into shares of the Company;
- 9) Placement of convertible bonds and other convertible securities if the said bonds (securities) are placed on the basis of open subscription and may be swapped into Company shares, representing 25% or less than 25% of common shares previously placed;
- 10) Fixing of price (pecuniary valuation) of assets, placement price and buy-out price of securities in cases, provided for in the Federal Law "On Joint-Stock Companies";
- 11) approval of Securities Issue Resolutions, Prospectuses, Reports on the Company's shares repurchase for their redemption, Reports on shares redemption, Reports on the shareholders' requests on repurchase of shares owned by them, as well as adoption of resolutions on the start date of securities placement based on the Board of Directors resolution;
- 12) Purchase of shares, bonds and other securities being placed by the Company, in cases provided for the Federal Law "On Joint-Stock Companies";
- 13) Approval the Company's Registrar and the general terms and conditions of Contract to be signed with Registrar, as well as terms of its termination;
- 14) Recommendations with regard to the profit distribution, including the rate and form of dividend payments and to the loss distribution based on the results of the fiscal year;
- 15) Usage of reserves fund and other Company funds;
- 16) Approval of an internal document stipulating for the procedures of internal audit of financial and operational activities of the Company;
- 17) Recommendations with regard to the amount of remuneration and compensations to be paid to Audit Commission members, approval of general terms and conditions of the Contract to be concluded with the Auditor and approved by the General Shareholders Meeting including the amounts to be paid to the Auditors for their services;
- 18) Approval of the Regulation on Internal Audit Department of the Company, preliminary acceptance of nominees to the position of its head officer, and relief of the head officer from duty at the initiative of the Company, and consideration of other items to be resolved by the Board of Directors with regard to the Regulation on Internal Audit Department.
- 19) initial approval of major separate deal or several interrelated deals connected with explicit or implicit acquisition, alienation or possible alienation of assets, the value of which ranges from 1 to 25 per cent of the book value of Company assets according to the financial statements as of the last reporting date;
- 20) Approval of major deals connected with both explicit or implicit acquisition and alienation or possible alienation of assets, the value of which ranges between 25 to 50 per cent of the book value of Company assets according to the accounting statements as of the last reporting date, with an exception of transactions carried out within the Company's general activities, transactions concerning subscription-based placement of common shares, and transactions connected with placement of convertible securities that are swapped into common shares of the Company;
- 21) Approval of transactions with conflict of interests, in cases set forth in Article 11 of Federal law "On Joint-Stock Companies";
- 22) Determination (alteration) of functional units of the Company's organizational structure and key functions of subdivisions making parts of these functional units (except for the Branches and Representative offices);
- 23) Establishment of divisions, opening of representative offices, their liquidation, and approval of their Regulations;
- 24) Preliminary approval of nominees to the positions of Branches and Representative offices head officers and relief of the head officers from duty at the initiative of the Company;
- 25) Appointment of the sole executive body (General Director), fixing his/her term of office as well as pre-term termination of his/her powers and employment contract concluded with him/her;
- 26) Election (re-election) of Chairman of the Board of Directors and his/her deputy;
- 27) Formation of a collegial executive organ (Managing Board): determination of its term, appointment of Managing Board members, early termination of their office;
- 28) Affirmation of holding more than one office by a person acting as the sole executive body and by the members of Management Board in managing bodies of other organizations;
- 29) Authorization to hold more than one paid office in other organizations for a person acting

as the sole executive body;

30) Creation of permanent or temporary (to resolve certain kinds of questions) Committees of the Board of Directors, approval of their Regulations, election of Committees members and chairmen, early termination of their office;

31) Appointment of the Company corporate Secretary and his/her dismissing, and approval of Corporate Secretary Regulations;

32) approval of contracts (supplementary agreements) concluded with General Director, members of Management Board, directors of branches and representative offices, Company's Corporate Secretary, director of Internal Audit Department, except for the agreements on termination of employment contracts with the heads of branches and representative offices by mutual agreement of the parties (item 1, article 77 of the RF Labour Code), as well as consideration of issues, resolutions on which are to be adopted by the Board of Directors pursuant to the Contracts mentioned;

33) adoption of resolutions on Company's participation in organizations (including establishing, engagement as a participant, changing the stake or its nominal value, changing the number of shares held by the Company or their nominal value, and termination of participation, except for the cases of liquidation of organization in the order required by the applicable law);

34) adoption of resolutions on Company's participation in non-commercial organizations except for the cases set forth in sub-item 18 item 12.2 hereof, by establishing the organization, engagement as a participant, additional contributions related to the Company's participation in non-commercial organizations, termination of participation, except for the cases of liquidation of organization in the order required by the applicable law);

35) submitting proposals (including those regarding candidates to the control and regulatory bodies) and adoption of resolutions on the issues falling within the competence of General Meetings of Participants of the commercial organizations, the Company being the only participant entitled with the right to vote at the General Meeting of Participants;

36) outlining the procedure of Company's interaction with organizations the Company has shares and stakes in, adoption of resolutions in accordance with the procedure;

37) elaboration of Company's (Company representatives') position, including the decision whether the Company should or should not vote on the issues of Agenda, give votes "for", "against" or "abstain", with regard to the following issues of Agenda of General Shareholders (Participants) Meetings of its affiliated and dependent companies (further referred to as ADC) (except for the cases when the functions of General Shareholders Meetings of ADCs are performed by the Company's Board of Directors), and sessions of ADC Board of Directors (except for the issue concerning approval of Agenda of ADC General Shareholders Meetings, in case the functions of General Shareholders Meetings of ADCs are performed by the Company's Board of Directors), also aimed at Company's control over the resolutions adopted by the affiliated and dependent companies of ADCs:

- a) determination of Agenda of the General Shareholders (Participants) Meeting of ADC;*
- b) reorganization, liquidation of ADC;*
- c) determination of quantitative composition of ADC Board of Directors, nomination and election of its members and pre-term termination of their office;*
- d) determination of the quantity, nominal value, category (type) of ADC shares authorized for issuance in addition to those outstanding, and rights granted by these shares;*
- e) increase of ADC share capital by increase of nominal value or by placement of additional share issue;*
- f) placement of ADC securities convertible into common shares;*
- g) split and consolidation of ADC shares;*
- h) approval of major deals effected by ADC;*
- i) participation of ADC in other organizations (entering the operating organization or formation of a new organization);*

38) Approval of internal documents of the Company other than stated in Article 13.4 hereof, which refer to issues being the competence of the Board of Directors, except for internal documents, being the competence of General Meeting and executive bodies of the Company pursuant to Company Charter;

39) Approval of Corporate Governance Code of the company, introductions of amendments and supplements therein;

40) Approval of risk management procedures in the Company;

41) Approval of the Regulation on the Procedure of auditors tender suggested by the Board of Directors for AGM approval, and consideration of other items to be resolved by the Board of Directors pursuant to the Regulation above mentioned;

42)) introduction of alterations to the Charter pertaining to formation or liquidation of branches and representative offices, including alterations pertaining to the change of addresses of branches and representative offices;

43) Appointment of a person entitled to sign the Contract with Managing Board members on

behalf of the Company;

44) Preliminary approval of outsourcing in Company's activity checkup by the Audit Commission; determination of payment conditions and other essential conditions of outsourcing in Audit Commission activity;

45) Other issues stipulated by the Federal Law 'On Joint-Stock Companies' and the present Charter.

13.5. Issues being the exclusive competence of the Company's Board of Directors cannot be devolved on the Collegiate Body or Sole Executive Body of the Company."

Competence of the Issuer's collegiate executive body in accordance with the Issuer's Charter:

Extract from the Issuer's Charter:

Article 14. Company Management Board

1) Working out of proposals on main streamlines of Company activities including drafts of annual budget, medium-term and long-term budgets, strategies and development programs of the Company along with amendment of the said documents;

2) Taking decisions on the questions being the competence of the supreme management organs of the non-commercial organizations, where the Company is the sole founder (participant), except for those where such supreme management boards are formed without the founder's (participant's) representatives;

3) Elaboration of human resources and social policies of the Company;

4) Approval of internal document regulating general provisions of labor motivation and consideration and decision taking on terms of collective agreements;

5) Preparation of materials and draft decisions in connection with issues that are submitted to consideration of General Meeting of Shareholders and sessions of the Board of Directors and submission of materials to committees under the Board of Directors;

6) Managerial and technical provision of the Company's operations;

7) Elaboration of technical, economic and financial, and tariff policies of the Company;

8) Determination of accounting policy, supervision on improvement of accounting and managerial methods along with introduction of IAS in the Company and its divisions;

9) Determination of methods of planning, budgeting and controlling in the Company and its divisions;

10) Determination of security policy in the Company and its divisions;

11) Elaboration of procedure of property allocation to Company divisions and its attachment;;

12) Determination of numerical membership and appointment of members of division's collegiate executive bodies as well as pre-term termination of their powers, approved by Regulations on collegiate bodies thereof;

13) Preliminary affirmation of candidates for deputy directors, chief accountants of divisions and representative offices and dismissing of the said persons;

14) Approval of general terms and conditions of contracts (supplementary agreements) signed with members of division's collegiate executive bodies, deputy directors, chief accountants of divisions and representative offices, along with consideration of issues on which the Management Board shall take decisions pursuant to the above-mentioned agreements;

15) Approval of quarterly budgets of divisions and amendment of these documents;

16) Performance analysis of the Company's divisions, including isolated ones, provision of mandatory directives to advance their efficiency;

17) Approval of internal documents that address issues being the competence of the Management Board, except for questions that are approved by the General Meeting and the Board of Directors of the Company.

18) Approval of organizational structure of the company, including main functions of operating entities.

14.5. Management Board is also entitled to decisions relating to other aspects of operating activities of the Company, specified in the Law on Joint-Stock Companies and this Charter, upon the instructions of the Board of Directors or suggestion of General Director of the Company.

Competence of the Issuer's sole executive body in accordance with the Issuer's Charter:

Extract from the Issuer's Charter:

Article 15. Company General Director

"15.1. General Director is the sole executive body executing management of operating activities of the Company. General Director shall be appointed by the Board of Directors of the Company.

15.2. General Director shall take decisions, which as per this Charter are not the competence of the General Shareholders Meeting, the Board of Directors or Management Board of the Company.

15.3. General Director shall perform the functions of the Chairman of the Management Board of the Company.

15.4. General Director shall act on behalf of the Company without power of attorney, including representation of the Company's interests, make deals on behalf of the Company, approve staff list, issue orders and give instructions mandatory for all Company employees.

Rights, duties, salary and responsibility of General Director are stipulated in the contract, signed between he/she and the Company. This contract on behalf of the Company shall be signed by the Chairman of the Board of Directors."

Issuer's Corporate Conduct (Governance) Code: **Corporate Conduct Code of JSC "Uralsvyazinform" was approved by the Board of Directors of JSC "Uralsvyazinform" (Protocol of the session #13/5 dd. November 11, 2003).**

Web page on which the full text of the Issuer's corporate conduct code is posted:
<http://www.usi.ru/shareholders/management/documents/> (in Russian),
<http://www.usi.ru/en/shareholders/profile/documents/> (in English).

Other documents that regulate the functioning of the Issuer's governing bodies:

Governing body	Regulatory documents on which the functioning of the body is based
General Shareholders' Meeting	Charter of OJSC 'Uralsvyazinform' (approved by the joint Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 23, 2005, as amended and restated by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 29, 2006); Holding Procedure of the General Shareholders Meeting of OJSC 'Uralsvyazinform' (approved by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 20, 2003, as amended and restated by the Annual General Shareholders' Meetings as of June 25, 2004 and June 23, 2005).
Board of Directors	Charter of OJSC 'Uralsvyazinform' (approved by the joint Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 23, 2005, as amended and restated by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 29, 2006); Regulations on the Board of Directors of OJSC 'Uralsvyazinform' (approved by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 29, 2006)
Management Board	Charter of OJSC 'Uralsvyazinform' (approved by the joint Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 23, 2005, as amended and restated by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 29, 2006); Regulations on the Management Board of OJSC 'Uralsvyazinform' (approved by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 29, 2006)
General Director	Charter of OJSC 'Uralsvyazinform' (approved by the joint Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 23, 2005, as amended and restated by the Annual General Shareholders' Meeting of OJSC 'Uralsvyazinform' as of June 29, 2006)

Information on amendments made to the Charter and/or to the internal documents regulating the functioning of the Issuer's governing bodies:

On June 15, 2007 Uralsvyazinform's General Shareholders Meeting introduced amendments and additions to the Charter of OJSC 'Uralsvyazinform', Procedure of Holding the General Shareholders Meeting of OJSC 'Uralsvyazinform', Provisions on the Board of Directors of OJSC 'Uralsvyazinform', and Provisions on the Management Board of OJSC 'Uralsvyazinform'.

Web page on which the full text is posted of the Charter and other internal documents in force regulating the functioning of the Issuer's governing bodies:

Main internal documents of the Company (Charter, Regulations on the Board of Directors, Regulations on the Management Board and Audit Commission, as well as Procedure of Holding the General Shareholders Meeting) are posted at

<http://www.usi.ru/shareholders/profile/documents/>. (in Russian)
<http://www.usi.ru/en/shareholders/profile/documents/> (in English)

Corporate Conduct Code is posted at

<http://www.usi.ru/shareholders/management/documents/>. (in Russian)
<http://www.usi.ru/en/shareholders/profile/documents/> (in English).

5.2. Details of the persons - members of the Issuer's governing bodies

5.2.1. Information on the members of the Issuer's Board of Directors

Board of Directors elected by the Annual General Shareholders Meeting as of June 15, 2007:

Chairman of the Board of Directors:

Evgeniy A. Chechelnitsky

Year of birth: **1973**

Education: **higher, Doctor of Philosophy**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2006 – present day: **Deputy General Director**

2006 – present day: **Member of the Management Board**

Organization: **Federal Communications Supervisory Authority (Rossvyaznadzor)**

2004 – 2006: **Deputy Director**

Organization: **Ministry for Communication and Informatization of the Russian Federation**

2001 – 2004: **Deputy Director of Economic and Investment Policies Department**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

Members of the Board of Directors:

1. Mikhail V. Batmanov

Year of birth: **1978**

Education: **higher, Doctor of Philosophy**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2003 – 2005: **Chief Specialist of the Legal Department**

2005 – 2006: **Head of the sector in the Legal Department**

2006 – present day: **Head of the sector of Corporate Government and Legal Groundwork Department**

Organization: **CJSC "Informational analytical center for scientific research 'Continuum'"**

2002 – 2003: **Legal Adviser**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

2. Yuri A. Bilibin

Year of birth: **1971**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2001 – 2004: **Assistant to the General Director**

2006 – present day: **Adviser to the General Director**

Organization: **OJSC 'RTK-Leasing'**

2004 – 2006: **Adviser to the General Director**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

3. Alla B. Grigorieva

Year of birth: **1967**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2001 – 2006: **Deputy Director of Corporate Governance Department – head of the section**

2006 – present day: **Deputy Director of Corporate Governance and Legal Support Department**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

4. Vladimir V. Dudchenko

Year of birth: **1973**

Education: **higher**

Positions as of the last 5 years:

Organization: **Moscow Representative office of NCH Advisors, Inc**

2001 – 2006: **Head of Analytical Branch**

2006 – present day: **Transactions Director**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

5. Ekaterina S. Erofteyeva

Year of birth: **1975**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2002 – 2006: **Deputy Director of Economic and Tariff Policy Department, Head of the Sector for Telecommunications Tariffs and Universal Services Regulation**

2006 – present day: **Deputy Director for Strategic Development Department**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

6. Olga G. Korolyova

Year of birth: **1950**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2001 – 2003: **Head of methodology sector**

2003 – 2005: **Deputy Chief Accountant**

2005 – present day: **Chief Accountant**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

7. Juliana Y. Sokolenko

Year of birth: **1967**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2006 – present day: **Deputy Director – Head of External Relations Department**

2002 – 2006: **Deputy Director of Information Support Department – Head of Investor Relations Department**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

8. Vladimir A. Statyin

Year of birth: **1959**

Education: **higher**

Positions as of the last 5 years:

Organization: **Career Center 'Russian Institute of Directors'**

2003 – 2006: **Director**

Organization: **Non-profit partnership 'Association for Protection of Interests of Companies' and Organizations' shareholders'**

2001 – present day: **General Director**

Organization: **Open Joint-stock Company 'Corporate finance and investment company'**

2001 – present day: **Deputy General Director**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **0.001604%**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **0.000445%**

9. Dmitry Y. Tushunov

Year of birth: **1964**

Education: **higher**

Positions as of the last 5 years:

Organization: **CJSC "Leader" (pension funds Management Company)**

2004 – present day: **Head of Analytical Department – Chief economist**

Organization: **Limited Liability Company 'Consulting and Audit Company "Delovaya Perspektiva"**

2004 – 2004: **Head of Department**

Organization: **CJSC "Investment Company 'ROSBUILDING'"**

2003 – 2004: **Project Manager**

Organization: **State University "Higher School of Economics"**

2002 – 2003: **Leading Scientific Officer**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **no share**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **no share**

10. Anatoly Y. Ufimkin – Deputy Chairman of the Board of Director

Year of birth: **1951**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Uralsvyazinform'**

2002 – 2005: **First Deputy General Director**

2004 – 2005: **Acting General Director**

2003 – 2005: **Member of the Management Board**

2005 – present day: **General Director**

2005 – present day: **Chairman of the Management Board**

2005 – June 15, 2007: **Deputy Chairman of the Board of Directors**

June 15, 2007 – present day: **Member of the Board of Directors**

Organization: **OJSC 'Svyazinform' of the Chelyabinsk region**

2002 – 2002: **General Director**

Share of the Issuer's Charter Capital owned by the member of the Board of Directors: **0.0277%**

Share of the Issuer's ordinary stock owned by the member of the Board of Directors: **0.0270%**

5.2.2. Information on the members of the Issuer's collegiate executive body

Membership of Uralsvyazinform Management Board:

Chairman of the Management Board:

Anatoly Y. Ufimkin

(information was stated in the sub-item 5.2.1.)

Members of the Management Board:

1. Sergey V. Akimenko

Year of birth: **1964**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2002: **Acting Director of Legal Groundwork Department**

2002 – 2005: **Director of Legal Groundwork Department**

2002 – 2004: **member of the Management Board**

2005 – present day: **Deputy General Director on Human Resources Management**

2005 – present day: **member of the Management Board**

Organization: **OJSC 'Svyazinform' of the Chelyabinsk region**

2001 – 2002: **Deputy General Director on Legal Affairs**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **0.000328%**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **0.000408%**

2. Svetlana I. Balueva

Year of birth: **1960**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2001 – 2002: **Deputy Chief Accountant**

2002 – 2004: **Deputy Chief Accountant on consolidated RAS and IFRS financial statements.**

2004 – 2004: **Deputy Chief Accountant on consolidated RAS financial statements**

2004 – present day: **Chief Accountant**

2005 – present day: **member of the Management Board**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **0.000374%**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **0.000464%**

3. Sergey M. Bershev

Year of birth: **1963**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2005 – 2006: **Deputy General Director – Chief Commercial Officer**

2006 – present day: **Deputy General Director – Business Development Director**

2005 – present day: **member of the Management Board**

Organization: **Closed Joint-Stock Company 'Lucent Technologies' (Moscow)**

2004 – 2005: **Key Account Manager**

Organization: **Open Joint-Stock Company 'Vypelcom' (Moscow)**

2003 – 2004: **Regional Director**

Organization: **Telia International Management, Stockholm**

2001 – 2003: **Country Manager Russia**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **no share**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **no share**

4. Igor D. Bychkov

Year of birth: **1968**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2004: **Chief Engineer, Hanty-Mansyisk Division**

2004 – 2005: **Deputy Director – Engineering Director, Hanty-Mansyisk Division**

2005 – present day: **Deputy General Director – Engineering Director**

2005 – present day: **member of the Management Board**

Organization: **'Hanty-mansyiskokrtelecom', Surgut Division**

2001 – 2002: **First Deputy Director – Chief Engineer**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **0.00008%**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **0.00010%**

5. Oleg V. Efremov

Year of birth: **1969**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2007 – present day: **Deputy General Director – Commercial Director**

2007 – present day: **Member of the Management Board**

2006 – 2007: **Deputy Director on Commercial Matters in Perm Telecommunications Division**

2003 – 2006: **Deputy Director on Technical Matters in Yamalo-Nenetsk Telecommunications**

Division

2002 – 2003: **Head of Sales Management Sector in Yamalo-Nenetsk Telecommunications**

Division

Organization: **Muravlensk Division of OJSC "Yamalelectrosvyaz"**

2002 – 2002: **Director**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **no share**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **no share**

6. Valery A. Menshenin

Year of birth: **1957**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2004: **Deputy General Director on Security Issues**

2004 – 2005: **Deputy General Director on Security Issues and Secrecy Order**

2005 – present day: **Deputy General Director on Security Issues**

2005 – present day: **member of the Management Board**

Organization: **The RF State Supervision Service for Telecommunications and Informatization (Sverdlovsk Region)**

2001 – 2002: Deputy Head of Service – **Chief State Inspector**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **no share**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **no share**

7. Dmitry I. Samoilov

Year of birth: **1962**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2001 – 2002: **Deputy Chief of Strategic Planning Sector**

2002 – 2002: **Acting Director of Property and Non-Productive Investments Department**

2002 – 2003: **Director of Property and Non-Productive Investments Department**
2003 – 2003: **Acting Deputy General Director – Director on Business Process Management and Corporate Governance**
2003 – present day: **member of the Management Board**
2003 – 2004: **Deputy General Director – Director on Business Process Management and Corporate Governance**
2004 – 2005: **Deputy General Director on Corporate Governance**
2005 – present day: **Deputy General Director on Corporate Development**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **no share**
Share of the Issuer's ordinary stock owned by the member of the Management Board: **no share**

8. Vitaly V. Stoyanov

Year of birth: **1950**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2001 – 2002: **Deputy General Director on Capital Construction (Chelyabinsk Division)**

2002 – present day: **member of the Management Board**

2002 – 2005: **Deputy General Director – Director of Chelyabinsk Communications Division**

2005 – 2005: **Acting Deputy General Director on Investment Policy**

2005 – 2005: **Deputy General Director on Investment Policy**

2005 – present day: **Deputy General Director on Capital Construction**

Organization: **Open Joint-Stock Company 'Chelyabinsksvyazinform'**

2001 – 2002: **Deputy General Director**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **0.004010%**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **0.001516%**

9. Valery A. Chernyshev

Year of birth: **1951**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2005: **Deputy Director of Chelyabinsk Division – Chief Financial Officer**

2005 – present day: **Deputy General Director – Chief Financial Officer**

2005 – present day: **member of the Management Board**

Organization: **OJSC 'Svyazinform' of the Chelyabinsk region**

2001 – 2002: **Deputy General Director**

Share of the Issuer's Charter Capital owned by the member of the Management Board: **0.007379%**

Share of the Issuer's ordinary stock owned by the member of the Management Board: **0.003021%**

5.2.3. Information on Issuer's sole executive body

The Issuer's sole executive body – General Director:

Anatoly Y. Ufimkin

(information was stated in the sub-item 5.2.1.)

5.3. Remuneration, benefits and/or reimbursement of expenses granted to the members of the Issuer's governing bodies

1. Amount of all-type remunerations and other material advancements paid to the members of the Board of Directors as of 2006*:

Salaries (RUR): **0**

Bonuses (RUR): **0**

Remuneration (RUR): **19,220,203.00**

Commission charges, benefits and/or reimbursement of expenses,
and other material advances (RUR): **0**

**Amount of remunerations paid to Anatoly Y. Ufimkin, who in 2006 was a member both to the Board of Directors and the Management Board, is stated within the sections denoting the Board of Directors and the Management Board remunerations respectively.*

Information on existing agreements regulating the amount of such payments in the current fiscal year:

Annual General Shareholders' Meeting held on June 15, 2007 adopted the resolution: To approve the following standard (interest-based) amounts of annual remuneration payable to the members of the Company's Board of Directors elected at the Annual General Shareholders Meeting on 15 June 2007:

- 0.26 % of the company's EBITDA in accordance with the financial statements as of 2006 prepared under IFRS (International Accounting Standards);

- 0.78 % of the company's net profit distributed in the form of dividend as of 2006.'

Pursuant to the 'Regulations on the Board of Directors', OJSC 'Uralsvyazinform' (approved by the AGM of OJSC 'Uralsvyazinform', Protocol dd. June 29, 2006):

"Quarterly remuneration to every member shall be fixed at the rate of RUR200 000. Quarterly remuneration to the Chairman of the Board of Directors shall be multiplied by 1,5."

"Each member of the Board of Directors who is also a member of the Board's Committees shall be paid, on a quarterly basis, an additional quarterly compensation at the rate of RUR40 000 (per each Committee) in connection with fulfillment of his/ her duties. A member of the Board shall not be entitled to participate in more than 2 Committees.

The said additional compensation if paid to Chairman shall be multiplied by 1,25."

2. Amount of all-type remunerations and other material advancements paid to the members of the Management Board as of 2006:

Salaries (RUR): **39,529,603.63**

Bonuses (RUR): **26,300,607.56**

Remuneration (RUR): **18,808,045.21**

Commission charges, benefits and/or reimbursement of expenses,
and other material advances (RUR): **510,000.00**

Pension Fund contributions for the members of the Management Board: **4,500.00**

Information on existing agreements regulating the amount of such payments in the current fiscal year:

The Board of Directors of OJSC 'Uralsvyazinform' approved the 'Provisions on remunerations paid to the members of the Management Board of OJSC 'Uralsvyazinform' (Protocol of the session dd. March 23, 2005). In accordance with item 2.2 of the Provisions, quarterly remuneration paid to the members of the Management Board shall be settled by the Company's Board of Directors in the amount not to exceed 150,000 RUR a quarter per member.

5.4. Structure and competence of the Issuer's internal control and supervisory bodies

Structure of the Issuer's internal control and supervisory bodies:

– **Audit Commission;**

– **Internal Audit Department;**

– **Audit Committee of Uralsvyazinform Board of Directors.**

In certain cases the Company also engages independent auditor.

Audit Commission is an autonomous control body elected by the Annual General Shareholders' Meeting and acting up to the forthcoming AGM. Audit Commission consists of 7 members. Audit Commission's operation is governed by the "Provisions on the Audit Commission of OJSC 'Uralsvyazinform'" (approved by the AGM, protocol of the Meeting dd. June 29, 2006).

Internal Audit Department is a special-purpose division, independent of the Company's executive bodies. Its activity is regulated by the Company's Board of Directors. Internal Audit Department is created to maintain constant control of all business activities of the Company.

Structure, purposes and functions of Internal Audit Department are regulated by the “Provisions on Internal Audit Department of OJSC ‘Uralsvyazinform’” (approved by the Board of Directors, Protocol of the session dd. February 25, 2003, as further amended and restated as of April 14, 2005, Protocol #28).

Audit Committee of Uralsvyazinform Board of Directors is an accessory authority to the Board of Directors, that has been annually formed since July 2004. Its main purpose is an increase of efficiency and quality of the Board of Directors operation in the line of free intercourse with the Independent Auditor, structural divisions of Accounting Office, Financial and Economic Sector, and Internal Control Sector by means of preliminary consideration and elaboration of recommendations to the Board of Directors in accordance with the Committee’s competence, over the following areas:

- **risks pertaining to information disclosure,**
- **financial statements,**
- **external independent auditor, internal audit,**
- **internal control procedures.**

Internal Audit Procedures are governed by the “Provisions on internal audit of financial and business activities of the open joint-stock company ‘Uralsvyazinform’” (approved by the Board of Directors, Protocol of the session #2, dd. July 12, 2005).

For the control and verification of the Company’s financial reports the Company, on an annual basis, engages a specialized Auditor, which is not bounded by any property interests with the Company or its shareholders. The auditor performs verification of financial and business activities of the Company in accordance with the Russian Federation legislation on the basis of an Agreement concluded with the Company.

Competence of the Audit Commission pursuant to the Issuer’s Charter:

Abstract from the Issuer’s Charter:

Article 17. Auditing of the Company Financial and Economic Activities

“17.2.2. The aspects listed below are the competence of the Auditing Commission:

- **auditing of the trustworthiness of the information in the reports and other financial documents of the Company;**
- **revealing of non-compliance of book accounting keeping and financial statements with legal acts of the Russian Federation (if any);**
- **auditing of keeping to the legal regulations in respect of taxes’ computation and payment;**
- **revealing of non-compliance (if any) with legal acts of the Russian Federation in accordance with which the Company performs its financial and economic activities;**
- **evaluation of the economic expediency of Company’s financial and economic activities.**

17.2.3. Auditing (revision) of Company’s financial and economic activities by the Auditing Commission shall be done on the Company performance results for a year.

Auditing (revision) of Company’s financial and economic activities shall be performed at any time:

- **on the independent initiative of the Auditing Commission ;**
- **on the decision of the General Shareholders Meeting;**
- **on the decision of the Company’s Board of Directors;**
- **on the request of a shareholder (shareholders) owning in aggregate at least 10 per cent of the Company’s voting shares on all the issues being the competence of the General Shareholders Meeting as of the date of the request.**

17.2.4. On the request of the Auditing Commission any officers of the managing bodies of the Company shall submit documents on financial and economic activities of the Company.”

Information of the Issuer’s Internal Audit Department:

- **Information on the term of operation and key employees on Internal Audit Department:**

Internal Audit Department was formed by the Issuer on the basis of the resolution adopted by the Board of Directors (Protocol of the session #7 dd. February 26, 2003).

Acting Director of Internal Audit Department is Andrey V. Kozhevnikov.

Details of key employees of Internal Audit Department are given in item 5.5 of the present Report.

- **main functions of Internal Audit Department:**

Extract from the “Provisions on Internal Audit Department of OJSC ‘Uralsvyazinform’” (approved by the Board of Directors, Protocol of the session dd. February 25, 2003, as further amended and restated as of April 14, 2005, Protocol #28):

Article 1. General Provisions

“1.2. Main functions of Internal Audit Department are:

- **periodic inspection of compliance of the business transactions effected by the Company, its divisions, and subdivisions with the Company’s interests; protection of the Company’s assets;**

- *independent assessment and analysis of financial status of the Company and its structural subdivisions;*
- *periodic control of the Company's and its subdivisions' observance of acts of legislation and other regulatory documents (including the internal regulations) governing their operation; control of compliance with the resolutions of the Annual General Shareholders' Meetings, Company's Board of Directors, sole and collegiate executive bodies;*
- *check of efficiency of internal control system; control for the cash flows and interested-party transactions; control of reliability of financial statements and operating data;*
- *consultations in the sphere of financial and tax legislation;*
- *interaction with external auditors and officials representing tax and other supervisory authorities."*

– accountability of Internal Audit Department, its interaction with the executive governing bodies of the Issuer and the Issuer's Board of Directors

Extract from the Issuer's Charter:

Article 13. Company's Board of Directors

13.4. The exclusive competence of the Board of Directors is as follows:

18) Approval of Regulations on operating entity of the Company, executing internal audit, agreement on candidates for its manager, as well as other issues which shall be considered by the Board of Directors in accordance with Regulations on the said operating unit.

Extract from the Issuer's "Regulations on the Audit Committee of OJSC 'Uralsvyazinform' Board of Directors'" (approved by the Board of Directors, Protocol #9, dd. October 7, 2004, as amended and restated on June 17, 2005, protocol #34):

Article 2.2. Purposes and competence of the Committee

"2.2.3. Interaction with the Company's subdivision performing internal audit:

a) consideration of the schedule of audit researches to be performed by the Company's respective structural subdivision;

b) examination of the Report on the results of subdivision's operation as of the completed year;

c) elaboration of recommendations on introduction of amendments and additions to the Company's internal documents governing activities of the subdivision."

– interaction between Internal Audit Department and Independent Auditor:

In the course of its audit researches, Internal Audit Department controls observation of notices stated in Independent Auditor's Reports, and accomplishes analysis of internal control procedures.

Issuer's internal document, establishing rules for prevention of proprietary (insider) information distribution:

"Regulations on 'The order of use of information on OJSC 'Uralsvyazinform' operations, its securities and deals concluded with them, which is not publicly-accessible and may affect market value of the Company's securities in case of its improper use or disclosure", approved by OJSC 'Uralsvyazinform' Board of Directors (Protocol #2 dd. July 12, 2005).

The full text of the present document is posted at:

<http://www.usi.ru/shareholders/management/documents/> (only available in Russian).

5.5. Information on the members of the Issuer's financial and business operation control bodies

5.5.1. Membership of the Issuer's Audit Commission

Membership of OJSC 'Uralsvyazinform' Audit Commission elected by the Annual General Shareholders' Meeting as of June 15, 2007:

Svetlana N. Bocharova

Year of birth: **1970**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2001 – 2003: **Head of legal groundwork sector, Legal Department**
2003 – 2006: **Head of taxation sector, Accounting Department**
2007 – present day: **Head of the sector, Accounting, Taxation and Statistics Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**
Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

Members of the Audit Commission:

1. Ruslan K. Aksyaitov

Year of birth: **1975**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2002 – 2002: **Chief Specialist of methodology sector in Accounting Department**

2003 – 2005: **Head of methodology sector in Accounting Department**

2005 – present day: **Deputy Chief Accountant – head of methodology sector in Accounting, Taxation and Statistics Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

2. Elena S. Vinokurova

Year of birth: **1982**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2006 – present day: **Head of the Risk Management and Liquidity sector in Economy and Finance Department**

Organization: **CJSC "Delta Telecom"**

2004 – 2006: **Financial Analyst**

2002 – 2004: **student, Saint-Petersburg State University of Economy and Finance**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

3. Natalya S. Vorobyova

Year of birth: **1973**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**

2005 – 2006: **Head of the Sector for Arrangement of Economic Interaction between the Integrated Telecommunications Operators, Economic and Tariff Policy Department**

2006 – present day: **Head of the Sector for Interaction with Regulating and Supervisory Authorities in the sphere of Telecommunications, Strategic Development Department**

Organization: **Open Joint-Stock Company "Moskovskaya gorodskaya telefonnaya set"**

2002 – 2005: **Head of Pricing and Tariffication Sector, Economy and Finance Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

4. Bogdan I. Golubitsky

Year of birth: **1979**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**
2002 – 2002: **Leading Specialist of Economic Planning and Budgeting Sector, Economy and Tariff Policy Department**
2002 – 2003: **Chief Specialist of Economic Planning and Budgeting Sector, Economy and Tariff Policy Department**
2003 – 2005: **Chief Specialist of Budgeting Sector, Economy and Budgeting Department**
2005 – 2006: **Head of Budgeting Sector, Economy and Budgeting Department**
2007 – present day: **Head of Corporate Finance Sector, Economy and Finance Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**
Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

5. Tatyana Y. Zubova

Year of birth: **1960**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**
2003 – present day: **Deputy Head of Methodology Sector, Accounting, Taxation and Statistics Department**

Organization: **OJSC "Russian Open Joint-Stock Company for Energy and Electrification"**
2002 – 2002: **Head of Reporting Sector, Accounting and Reporting Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**
Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

6. Vladimir N. Sypchenko

Year of birth: **1955**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**
2002 – present day: **Head of Economic Safety Department, Security Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**
Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

5.5.2. Information on the officers of the Issuer's Internal Audit Department

Key executives of Internal Audit Department, OJSC 'Uralsvyazinform'

Acting Director of Internal Audit Department:

Andrey V. Kozhevnikov

Year of birth: **1962**

Education: **higher**

Positions as of the last 5 years:

Organization: **Control and Audit Directorate, Ministry of Finance of the Russian Federation**
2002 – 2002: **Chief Inspecting Auditor**

Organization: **OJSC 'Uralsvyazinform'**

2002 – 2004: **Accountant-Auditor**

2004 – 2005: **Leading Specialist of Internal Audit Department**

2005 – June 2007: **Head of Inspection Sector, Internal Audit Department**

June 2007 – present day: **Acting Director of Internal Audit Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**
Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

Key executives of Internal Audit Department:

1. Alexander N. Bazuyev

Year of Birth: **1964**

Education: **higher**

Positions as of the last 5 years:

Organization: **Audit Department of the Russian Federation Ministry of Finance in the Perm region**

2002 – 2002: **Chief auditor of the sector for interaction with law-enforcement authorities**

Organization: **Audit Department of the Russian Federation Ministry of Finance in the Perm region**

2002 – 2004: **Chief auditor for interaction with law-enforcement authorities**

Organization: **Federal Finance and Budgeting Surveillance Service in the Perm region**

2004 – 2005: **Chief specialist of the sector for interaction with law-enforcement authorities**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2005 – present day: **Leading specialist of internal audit department of the Perm telecommunications division, OJSC 'Uralsvyazinform'**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

2. Tatyana N. Vaskina

Year of Birth: **1973**

Education: **higher**

Positions as of the last 5 years:

Organization: **OJSC "Izhevsk electromechanical factory 'Kupol'"**

2002 – 2004: **2 category economist in Prospective Research Sector**

2004 – 2005: **1 category economist in Prospective Research Sector**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2005 – 2007: **2 category specialist of Methodology and Risks Sector, Internal Audit Department**

2007 – present day: **1 category specialist of Methodology and Risks Sector, Internal Audit Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

3. Olga S. Ivina

Year of Birth: **1967**

Education: **higher**

Positions as of the last 5 years:

Organization: **Kurgan inter-district Public Employment Center**

2001 – 2002: **Leading specialist-inspector**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2004: **Auditor**

2004 – 2005: **Head of internal audit sector, Kurgan telecommunications division**

2006 – present day: **Leading specialist of inspections sector, Internal Audit Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

4. Yuri A. Ilyinykh

Year of Birth: **1973**

Education: **higher**

Positions as of the last 5 years:

Organization: **Ministry of Taxation of the Russian Federation in Chelyabinsk region**

2001 – 2004: **Chief public tax inspector, sector for interaction with large and trouble taxpayers**

Organization: **Federal Tax Service in Chelyabinsk region**

2001 – 2005: **Chief public tax inspector, Surveillance Sector**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2005 – present day: **Leading specialist of internal audit sector, Chelyabinsk telecommunications division**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

5. Olga V. Kamyanskaya

Year of Birth: **1981**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2001 – 2005: **Economist of strategic planning and corporate governance sector, Ekaterinburg telecommunications division**

2005 – 2006: **Economist of Corporate Secretary Administration**

2006 – present day: **Head of methodology and risks sector, Internal Audit Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

6. Irina K. Neukisova

Year of Birth: **1955**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uraltelecom'**

2001 – 2001: **Chief Accountant of Technical and Documentary Communications Center**

2001 – 2002: **Chief auditor**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2005: **Head of regional internal audit sector, Ekaterinburg telecommunications division**

2005 – present day: **Head of internal audit sector, Ekaterinburg telecommunications division**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **0,00004820%**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **0,00005990%**

7. Georgiy G. Frolov

Year of Birth: **1965**

Education: **higher**

Positions as of the last 5 years:

Organization: **Administration of Federal Tax Police Service of the Russian Federation for Chelyabinsk region**

2001 – 2003: **Chief specialist-inspector**

Organization: **Main Department of Internal Affairs in Chelyabinsk region**

2003 – 2004: **Chief specialist-inspector**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2004 – 2005: **Leading specialist of regional internal audit sector, Chelyabinsk telecommunications division**

2005 – present day: **Leading specialist of internal audit sector, Chelyabinsk telecommunications division**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**
Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

8. Ruslan A. Shaimov

Year of Birth: **1975**

Education: **higher**

Positions as of the last 5 years:

Organization: **Administration of Federal Tax Police Service of the Russian Federation for Chelyabinsk region**

2001 – 2002: **1 category specialist**

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2002 – 2005: **Chief of regional internal audit sector, Chelyabinsk telecommunications division**

2005 – present day: **Chief of internal audit sector, Chelyabinsk telecommunications division**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

9. Evgenyi V. Yaburov

Year of Birth: **1973**

Education: **higher**

Positions as of the last 5 years:

Organization: **Open Joint-Stock Company 'Uralsvyazinform'**

2001 – 2002: **Accountant, Perm telecommunications division**

2002 – 2004: **2 category accountant, Perm telecommunications division**

2004 – 2005: **Leading specialist of Internal Audit Department**

2005 – present day: **Leading specialist of inspections sector, Internal Audit Department**

Share of the Issuer's Charter Capital owned by the member of the Audit Commission: **no share**

Share of the Issuer's ordinary stock owned by the member of the Audit Commission: **no share**

5.5.3. Information on members of the Audit Committee to the Issuer's Board of Directors

The new Audit Committee to the Board of Directors of Uralsvyazinform shall be formed at the first session of the Issuer's Board of Directors after the date of the Annual General Shareholders Meeting (June 15, 2007) where the Board of Directors is to be elected.

5.6. Remuneration, benefits and/or reimbursement of expenses granted to the members of the Issuer's financial and business operation control body

1. Amount of all-type remunerations and other material advancements paid to the members of the Audit Commission as of 2006*:

Salaries (RUR): **0**

Bonuses (RUR): **0**

Remunerations (RUR): **5,475,000.00**

Commission charges, benefits and/or reimbursement of expenses, and other material advances (RUR): **0**

Information on existing agreements regulating the amount of such payments in the current fiscal year:

Amount and procedure of disbursement of remunerations to the members of the Audit Commission are stated in item 7.4 of the 'Provisions on OJSC 'Uralsvyazinform' Audit Commission' (approved by the Annual General Shareholders Meeting of OJSC 'Uralsvyazinform', protocol dd. June 29, 2006).

In accordance with the 'Provisions on OJSC 'Uralsvyazinform' Audit Commission', Audit Commission members, when exercising their functions, are provided with quarterly remuneration amounting at RUR 150,000 per each member.

Remuneration of the Chairman of the Audit Commission amounts to that fixed for each member of the Audit Commission multiplied by 1.3.

2. Amount of all-type remunerations and other material advancements paid to the members of Internal Audit Department as of 2006:

Salaries (RUR): **8,506,260.31**

Bonuses (RUR): **4,577,110.70**

Remunerations (RUR):

Commission charges, benefits and/or reimbursement of expenses,
and other material advances (RUR): **602,915.50**

Information on existing agreements regulating the amount of such payments in the current fiscal year:

Executives of Internal Audit Department exercise their duties on the basis of Labor Contracts concluded with OJSC Uralsvyazinform'.

5.7. Quantity, educational level and structure of the Issuer's staff. Changes in quantity of the Issuer's staff

Average headcount of the Issuer, including the personnel of its divisions and representative offices. Amount of salaries and social benefits allocated by the Issuer as of the reporting quarter:

Factor	II quarter 2007
Average headcount, persons	26,609
Share of the Issuer's employees with higher education, %	32.01
Amount of funds directed to salaries and emoluments, thousand RUR*	1,898,749
Amount of funds directed to social benefits, thousand RUR	60,390
Overall amount of funds paid out, thousand RUR **	1,979,716

* Average headcount salaries fund

** Salaries and social benefits fund including part-time employees and employees engaged on the basis of independent-work contracts

Factors causing the change of headcount of the Issuer as of the reporting period: **in the 2nd quarter 2007 the rate of the average headcount drawdown totaled 98.1% as compared with the 1st quarter 2007. The drawdown was achieved by headcount optimization and was budgeted by the Company's divisions and General Directorate.**

Information on the Issuer's employees that could significantly affect financial and business activities of the Issuer (key employees): **there are no employees that could significantly affect financial and business activities of the Issuer, except for the members of the Issuer's governing bodies, information on whom is stated in the respective sections of the present quarterly report.**

Information on a trade union body formed by the Issuer's employees: **an Inter-regional Trade Union of OJSC 'Uralsvyazinform' was formed by the Issuer's employees.**

5.8. Information on any obligations of the Issuer to the employees, that could cause probability of their participation in the Issuer's Charter (Share) Capital

Agreements or obligations of the Issuer that could cause probability of the employees' participation in its Charter Capital: **no.**

Information on granted or would-be granted warrants to the Issuer's employees: **the Company didn't issue warrants.**

VI. Information on the Issuer's shareholders, and interested-party transactions effected by the issuer

6.1. Total number of the Issuer's shareholders

Total number of shareholders registered in the Company's Shareholder Register as of June 30, 2007: **18 963**

Total number of nominee holders of the Issuer's shares as of June 30, 2007: **24**

6.2. Information on the Issuer's shareholders owning at least 5 per cent of its Charter Capital or at least 5 per cent of its ordinary stock, and the information on the participants of such holders owning at least 20 per cent of their Charter Capital or at least 20 per cent of their Common Stock

Issuer's shareholders owning at least 5 per cent of its Charter Capital or at least 5 per cent of its ordinary stock:

1. . Full name: **OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')**
Taxpayer Identification Number: **7710158355**
Address: **55, bld. 2 Plyuschikha str., Moscow 119121 Russia**
Share of the Issuer's Charter Capital: **41.3830%**
Share of the Issuer's ordinary stock: **51.4228%**

Shareholders owning at least 20 per cent of OJSC 'Svyazinvest' Charter Capital or at least 20 per cent of its ordinary stock:

1.1. Full name: **the Russian Federation represented by the Federal Agency for Federal Property Management;**

Taxpayer Identification Number: **7710542402;**
Address: **9, Nikolsky pereulok, Moscow, 103685, Russia;**
Share of OJSC 'Svyazinvest' Charter Capital: **75% minus 1 share;**
Share of OJSC 'Svyazinvest' ordinary stock: **75% minus 1 share;**
Share of the Issuer's Charter Capital: **no share;**
Share of the Issuer's ordinary stock: **no share.**

1.2. Full name: **Open Joint-Stock Company "Comstar – United TeleSystems"**

Taxpayer Identification Number: **7740000069;**
Address: **27, bld. 2, Smolenskaya-Sennaya sq., 119121, Moscow, Russia;**
Share of OJSC 'Svyazinvest' Charter Capital: **17,31% plus 1 share;**
Share of OJSC 'Svyazinvest' ordinary stock: **17,31% plus 1 share;**
Share of the Issuer's Charter Capital: **no share;**
Share of the Issuer's ordinary stock: **no share.**

1.3. Full name: **MGTS FINANCE S.A. SOCIETE ANONYME;**

Taxpayer Identification Number: **no data;**
Address: **L-2453, Luxemburg, 5, RUE EUGENE RUPPERT;**
Share of OJSC 'Svyazinvest' Charter Capital: **7,69%;**
Share of OJSC 'Svyazinvest' ordinary stock: **7,69%;**
Share of the Issuer's Charter Capital: **no share;**
Share of the Issuer's ordinary stock: **no share.**

Nominee holders of the Issuer's shares who hold at least 5 per cent of its Charter Capital or at least 5 per cent of its ordinary stock:

1. Name: **Non-profit partnership 'the National Depository Center'**

Address: **1/13, bld. 4, Sredny Kislovsky Pereulok, 125009 Moscow, Russia**

Tel.: **7 (495) 223 6392**, fax: **7 (495) 956 0938**, e-mail: info@ndc.ru

Amount of the Issuer's ordinary shares registered to the nominee holder: **8,371,580,502 shares**

2. Name: **ING Bank (Eurasia) ZAO**

Address: **36, Krasnoproletarskaya ul., 127473, Moscow, Russia**

Tel.: **7 (495) 755 5400**, fax: **7 (495) 755 5499**, e-mail: mail.russia@ingbank.com

Amount of the Issuer's ordinary shares registered to the nominee holder: **3,474,485,749 shares**

3. Name: **Closed Joint-Stock Company 'Depository Clearing Company'**
Address: **Building B, 31, Shabolovka Street, Moscow, 115162, Russian Federation**
Tel.: **7 (495) 956 0999**, fax: **7 (495) 232 6804**, e-mail: dcc@dcc.ru
Amount of the Issuer's ordinary shares registered to the nominee holder: **1,032,153,543 shares**

6.3. Information on the share in the Issuer's Charter (Share) Capital owned by the government or municipal bodies; availability of the "Golden Share"

Share of the government or municipal bodies in the Issuer's Charter Capital:

1. Type of property: **constituent entity of the Russian Federation**

Share of the Issuer's Charter Capital: **0.005564%**

Full name of the entity performing portfolio management: **Khanty-Mansyisk Autonomous District represented by the State Property Department**

Address: **5, Mira str., Khanty-Mansyisk Autonomous District, Khanty-Mansyisk city, 628006, Russia**

2. Type of property: **constituent entity of the Russian Federation**

Share of the Issuer's Charter Capital: **0.0020%**

Full name of the entity performing portfolio management: **Social Support Fund at the Administration of Sverdlovsk region**

Address: **105, Bolshakova str., 620094, Ekaterinburg, Russia**

Availability of a special right of the Russian Federation, its constituent entities, and municipal bodies to the management of the Issuer's activities ('Golden share'): **not available**.

6.4. Restrictions imposed on participation in the Issuer's Charter Capital

Restrictions imposed on the quantity of shares owned by a shareholder and/or their total par value, and/or highest possible number of votes granted to a shareholder: **such restrictions are not stipulated in the Issuer's Charter**.

Restrictions imposed on participation of foreign shareholders in the Issuer's Charter Capital: **there are no such restrictions**.

Other restrictions imposed on participation in the Issuer's Charter:

1. **Cases of acquisition of over 30 per cent of the Company's shares are subject to the regulations of chapter XI.1 of Join-Stock Companies Law.**

2. **Acquisition of the Company's voting stock by a person or a group of persons shall be effected after its authorization by the anti-monopoly authority pursuant to article 28 of Anti-Competition Law (dd. July 26, 2006 #135-Φ3) in the following cases:**

– **if a person (a group of persons) acquires over 25 per cent of the voting stock, given that the person (the group of persons) hadn't owned Company's voting stock before or owned less than 25 per cent of the voting stock,**

– **if a person (a group of persons) acquires over 50 per cent of the voting stock, given that prior to this acquisition such a person (a group of persons) had owned at least 25 but not over 50 per cent of the Company's voting stock,**

– **if a person (a group of persons) acquires over 75 per cent of the voting stock, given that prior to this acquisition such a person (a group of persons) had owned at least 50 but not over 75 of the Company's voting stock.**

6.5. Information on alterations in the Issuer's shareholders owning at least 5 per cent of its Charter capital or at least 5 per cent of its Common Stock

Issuer's shareholders who owned at least 5 per cent of the Issuer's Charter Capital and at least 5 per cent of the Issuer's ordinary stock as of the date of compiling of the list of persons authorized to participate in each Shareholders' Meeting held within the last 5 completed fiscal years, and the last ended quarter:

1. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: **15 April 2002**

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

1.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **53.2%**

Share of the Issuer's ordinary stock: **53.2%**

1.2. Name: THE BANK OF NEW YORK INTERNATIONAL NOMINEES

Share of the Issuer's Charter Capital: **8.25%**

Share of the Issuer's ordinary stock: **8.25%**

2. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: 17 October, 2002

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

2.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

2.2. Name: Closed Joint-Stock Company 'Depository Clearing Company'

Share of the Issuer's Charter Capital: **10.03%**

Share of the Issuer's ordinary stock: **7.92%**

2.3. Name: ING Bank (Eurasia) ZAO

Share of the Issuer's Charter Capital: **9.75%**

Share of the Issuer's ordinary stock: **9.32%**

2.4. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

3. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: 5 May, 2003

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

3.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

3.2. Name: ING Bank (Eurasia) ZAO

Share of the Issuer's Charter Capital: **13.35%**

Share of the Issuer's ordinary stock: **12.34%**

3.3. Name: Closed Joint-Stock Company 'Depository Clearing Company'

Share of the Issuer's Charter Capital: **8.37%**

Share of the Issuer's ordinary stock: **5.46%**

3.4. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

4. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: 7 May, 2004

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

4.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

4.2. Name: ING Bank (Eurasia) ZAO

Share of the Issuer's Charter Capital: **17.90%**

Share of the Issuer's ordinary stock: **17.56%**

4.3. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

5. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: **13 February, 2005**

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

5.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

5.2. Name: ING Bank (Eurasia) ZAO

Share of the Issuer's Charter Capital: **17.137%**

Share of the Issuer's ordinary stock: **16.803%**

5.3. Name: Non-profit partnership the 'National Depository Center'

Share of the Issuer's Charter Capital: **5.902%**

Share of the Issuer's ordinary stock: **5.714%**

5.4. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

6. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: **6 May, 2005**

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

6.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

6.2. Name: ING Bank (Eurasia) ZAO

Share of the Issuer's Charter Capital: **15.440%**

Share of the Issuer's ordinary stock: **15.078%**

6.3. Name: Non-profit partnership the 'National Depository Center'

Share of the Issuer's Charter Capital: **7.345%**

Share of the Issuer's ordinary stock: **7.664%**

6.4. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

7. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: **5 May, 2006**

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

7.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

7.2. Name: JP MORGAN CHASE BANK N.A.

Share of the Issuer's Charter Capital: **7.982%**

Share of the Issuer's ordinary stock: **8.251%**

7.3. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

8. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: **25 July, 2006**

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

8.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

8.2. Name: JP MORGAN CHASE BANK N.A.

Share of the Issuer's Charter Capital: **7.18%**

Share of the Issuer's ordinary stock: **7.49%**

8.3. Name: Specialized State Institution under the Government of the Russian Federation 'Russian Federal Property Fund'

Share of the Issuer's Charter Capital: **4.638%**

Share of the Issuer's ordinary stock: **5.763%**

9. The date of compiling of the list of persons authorized to participate in Shareholders' Meeting of the Issuer: **April 27, 2007**

Issuer's shareholders, who, as of the date stated, owned at least 5 per cent of its Charter Capital and at least 5 per cent of its ordinary stock:

9.1. Name: OJSC 'Investitsionnaya kompaniya svyazi' (OJSC 'Svyazinvest')

Share of the Issuer's Charter Capital: **41.383%**

Share of the Issuer's ordinary stock: **51.423%**

9.2. Name: JP MORGAN CHASE BANK N.A.

Share of the Issuer's Charter Capital: **6.16%**

Share of the Issuer's ordinary stock: **6.49%**

9.3. Name: Closed Joint-Stock Company "Leader" (Pension Funds Management Company), Trust Manager of Pension Fund "Gazfond"

Share of the Issuer's Charter Capital: **5.31%**

Share of the Issuer's ordinary stock: **6.57%**

6.6. Information on interested-party transactions effected by the Issuer

Indices	II Q 2007
Overall amount and value of interested-party transactions effected by the Issuer within the reporting period, provided that such transactions required approval of the authorized governing body of the Issuer	Overall amount of transactions – 10. Monetary value of the 9 transactions – RUR 397,796,501.88; Beyond this: Additional Agreement №3 to the Agreement №752-05-23 dd. January 1, 2006 between OJSC "Uralsvyazinform" and OJSC "Rostelecom" (Price of transaction – 20% of the earned revenue, placed by the carrier OJSC "Uralsvyazinform" to OJSC "Rostelecom" account
Overall amount and value of interested-party transactions effected by the Issuer within the reporting period, provided that such transactions were approved by the Issuer's General Shareholders' Meeting	No such transactions
Overall amount and value of interested-party transactions effected by the Issuer within the reporting period, provided that such transactions were approved by the Issuer's Board of Directors	Overall amount of transactions – 10. Monetary value of the 9 transactions – RUR 397,796,501.88; Beyond this: Additional Agreement №3 to the Agreement №752-05-23 dd. January 1, 2006 between OJSC "Uralsvyazinform" and OJSC "Rostelecom" (Price of transaction – 20% of the earned revenue, placed by the carrier OJSC "Uralsvyazinform" to OJSC "Rostelecom" account
Overall amount and value of interested-party transactions effected by the Issuer within the reporting period, given that such transactions required approval of the authorized governing body of the Issuer, but were not approved by respective body	No such transactions

Interested-party transactions (groups of associated transactions), which value made up 5 or more per cent of the book value of Issuer's assets: **no**.

Overall value of interested-party transactions effected by the Issuer as of the last reporting quarter: **RUR 397,796,501.88**; Additional Agreement №3 to the Agreement №752-05-23 dd. January 1, 2006 between OJSC "Uralsvyazinform" and OJSC "Rostelecom" (Price of transaction – 20% of the earned revenue, placed by the carrier OJSC "Uralsvyazinform" to OJSC "Rostelecom" account.

6.7. Amount of accounts receivable

Structure of the Issuer's Receivables with indication of their maturity terms as of the 2nd quarter 2007:

Types of Receivables	II quarter 2006		II quarter 2007	
	Term to maturity			
	Under 1 year	Over 1 year	Under 1 year	Over 1 year
Accounts receivable from customers and consumers, thousand RUR	1,926,218	39,643	2,969,245	6,882
including overdue, thousand RUR	-	X	-	X
Bills receivable, thousand RUR	192	468	-	468
including overdue, thousand RUR	-	X	-	X
Accounts receivable from the Company's founders (contributions to the charter capital), thousand RUR	-	-	-	-
including overdue, thousand RUR	-	X	-	X
Receivables on advance paid out, thousand RUR	358,563	-	320,925	-
including overdue, thousand RUR	-	X	-	X
Other accounts receivable, thousand RUR	699,425	228,767	580,367	220,918
including overdue, thousand RUR	-	X	-	X
Total accounts receivable, thousand RUR	2,984,398	268,878	3,870,537	228,268
including total overdue, thousand RUR.	-	X	-	X

Debtors accounting for 10% or more of the overall value of accounts receivable as of June 30, 2007:
no.

VII. Accounting reports/financial statements of the Issuer

7.1. Annual financial statements of the Issuer

Issuer's Annual Financial Statements as of the last completed fiscal year, compiled in accordance with the Russian Federation legislation, is included into the Quarterly Report as of the 1 quarter.

7.2. Quarterly financial statements of the Issuer for the last ended reporting quarter

Structure of quarterly financial statements annexed to the quarterly report:

a) *The present quarterly report is accompanied by OJSC 'Uralsvyazinform' Quarterly Financial Statements as of 3 months 2007 (Annex 1) compiled under Russian Federation legislation.*

b) *As of the period stated, the Issuer doesn't have quarterly financial statements under IFRS or US GAAP.*

7.3. Consolidated financial statements of the Issuer for the last ended fiscal year

The present Quarterly Report is attached with the Consolidated Financial Statements of OJSC "Uralsvyazinform" as of the year ended December 31, 2006 (Annex 2), compiled in accordance with the International Financial Reporting Standards and consisting of:

Independent Auditor Report;

Consolidated Financial Statements:

- consolidated Balance Sheet;***
- consolidated Income Statement;***
- consolidated Statement of Cash Flows;***
- consolidated Statement of changes in Equity;***
- notes to Consolidated Financial Statements.***

7.4. Total value of export and export share in the total sales volume

The Issuer doesn't export its services.

7.5. Information on the value of the Issuer's real estate and substantial changes in the Issuer's property that occurred after the end date of the last completed fiscal year

Overall value of the Issuer's real estate and amount of accumulated depreciation as of the end of the reporting quarter: ***Real estate includes plots of land, buildings, communication lines and constructions. Please see the information on overall value of the real estate and accumulated depreciation in item 3.6.1 of the present quarterly report***

Information on substantial changes that occurred in the structure of the Issuer's real estate within 12 months prior to the end of the reporting period: ***there were no substantial changes (over 0.4% of the Company's book value of assets) in the structure of the Issuer's real estate.***

7.6. Information on litigations involving the Issuer, in case that participation in such litigations may substantially affect financial and business activities of the issuer

The Company is involved in several arbitration proceedings. One of the most substantial proceedings capable of exerting influence upon the Company's financial status is the Decree #12 dd. 12/01/2006 by Inter-district Inspectorate #7 of the Federal Tax Service. According to the Decree, the Company was charged with extra taxes amounting to RUR 561,332,037.86, penalties amounting to RUR 107,358,263.81, and fines totaling RUR 87,685,697.28 for the years 2003-2004.

The Company filed the claim to the Moscow City Arbitration Court on invalidation of above-mentioned Decree of the Federal Tax Service.

By the Decree of the Moscow City Arbitration Court dd. May 23, 2007 with regard to the claim # A40-77769/06-75-465, the Company's claim was satisfied partially. Decree #12 by Inter-district Inspectorate #7 of the Federal Tax Service was ruled illegal with regard to the extra taxes at the amount of RUR 402,379,281.83, fines and penalties at the amount of RUR 159,125,269.19. Other parts of the Claim are dismissed.

The Company intends to appeal the Court's Decree.

VIII. Additional information on the Issuer and the issue securities it placed

8.1. Additional information on the Issuer

8.1.1. Amount and structure of the Issuer's Equity Capital

Issuer's Equity Capital as of the end of the reporting quarter (RUR): **4 816 166 796.72**

Structure of Equity Capital:

Type of shares	Amount	Total par value	Share of the Equity Capital, %
Ordinary	32,298,782,020	3,875,853,842.40	80.48
Preferred	7,835,941,286	940,312,954.32	19.52

Part of the Issuer's shares circulates outside of the Russian Federation in accordance with the foreign law in the form of foreign issuers' securities representing Issuer's shares.

Information on the Issuer's shares circulating outside of the Russian Federation:

1. Type of the Issuer's shares circulating outside of the RF: ***ordinary registered shares***

Part of the shares circulating outside of the RF of the overall amount of shares of this type: ***5.99%***

Name and address of the foreign Issuer whose securities represent the Issuer's shares: ***JP Morgan, 60 Victoria Embankment, London EC4Y 0JP***

Short description of the Program of foreign issuer's securities representing the Issuer's shares:

Level 1 American Depository Receipts program representing the Issuer's ordinary shares. The program is based on the Deposit Agreement concluded between the Issuer and JPMorgan Chase Bank dd. April 22, 2002 (as amended and restated as of December 15, 2002). 1 ADR represents 200 Issuer's shares of a certain type.

Trade institutors arranging circulation of the foreign issuer's securities representing the Issuer's shares:

- Frankfurt Stock Exchange;***
- Berlin-Bremen Stock Exchange;***
- Stuttgart Stock Exchange;***
- Düsseldorf Stock Exchange;***
- München Stock Exchange.***

2. Type of the Issuer's shares circulating outside of the RF: ***type A preferred registered shares.***

Part of the shares circulating outside of the RF of the overall amount of shares of this type: ***4.83%***

Name and address of the foreign Issuer whose securities represent the Issuer's shares: ***JP Morgan, 60 Victoria Embankment, London EC4Y 0JP***

Short description of the Program of foreign issuer's securities representing the Issuer's shares:

Level 1 American Depository Receipts program representing the Issuer's preferred shares. The program is based on the Deposit Agreement concluded between the Issuer and JPMorgan Chase Bank dd. September 30, 2002. 1 ADR represents 200 Issuer's shares of a certain type.

Trade institutors arranging circulation of the foreign issuer's securities representing the Issuer's shares:

- Frankfurt Stock Exchange;***
- Berlin-Bremen Stock Exchange.***

8.1.2. Information on alterations that occurred in the structure of the Issuer's Equity Capital

Alterations in the Issuer's Equity Capital that occurred within the last 5 completed fiscal years and in the reporting quarter:

Issuer's Equity Capital as of 1 January, 2001: ***RUR 1,049,272,527.48.***

Structure of the Issuer's Equity Capital as of 1 January, 2001: ***100% ordinary shares***

Issuer's governing body that adopted the resolution to alter the amount of the Issuer's Equity Capital: **Extraordinary General Shareholders' Meeting of OJSC 'Uralsvyazinform' (Protocol of the Meeting dd. 17 December, 2002).**

Issuer's Equity Capital after the alteration: **RUR 4,816,166,796.72.**

8.1.3. Information on formation and utilization of reserve fund and other funds by the Issuer

Information on the Issuer's reserve fund and other funds formed from the net profit:

1. Name of the fund: Reserve Fund (formed in accordance with the requirements of article 35 of Joint-Stock Companies Law)

Amount of the Fund fixed by the Issuer's constitutive documents: **5% of the Issuer's Equity Capital.**

Amount of the fund as of the end of the reporting period

– in money: **RUR 240,808,000**

– in percentage of the Equity Capital: **5%;**

In the 2nd quarter 2007 the Reserve Fund was not accrued and was not utilized.

2. Other funds formed at the cost of net profit: no.

8.1.4. Information on the procedure of convocation and conduction of the Meeting of the Issuer's supreme governing body

Issuer's supreme governing body: **general shareholders' meeting**

Procedure of shareholders notification of the general shareholders' meeting:

"Notice on the AGM shall be published not later than 30 days prior to the date of its holding if not otherwise stated by the legislation.

In case the agenda of EGM contains an item concerning the election of the Company Board of Directors' members, the notice on the EGM shall be published not later than 50 days prior to the date of its holding.

In case an EGM is convened following the request of the Audit Commission, Auditor or a shareholder of the Company, owning not less than 10 per cent of voting shares in the Company, a notice on such EGM shall be made not later than 20 days prior the date the meeting is held.

Within the stated time a notice on the General Shareholders Meeting shall be either sent to each person of the list of those entitled to participate in the General Shareholders Meeting, by registered mail or delivered to all of the enlisted person under notice of receipt. Additionally the notice on General Meeting may be published in the newspaper "Rossiyskaya Gazeta" and major regional newspapers."

Persons (or Company's bodies) authorized to convoke (propose convocation) of the extraordinary general shareholders' meeting. Procedure of submitting such proposals:

An Extraordinary General Shareholders Meeting (EGM) shall be held by the Board of Directors' decision based on its own initiative, on the Company Auditing Commission proposal, or on the proposal of the Company's auditors and shareholders' (a shareholder), owning at least 10 per cent of Company voting shares as of the date of proposal.

Proposal to hold an extraordinary shareholders' meeting may be directed in the following ways:

– **through the mailing service to the Company's Sole Executive Body address kept in a Unified State Register of Legal Entities of The Russian Federation;**

– **delivery under notice of receipt to the person acting as a Company's Sole Executive Body, Chairman of the Board of Directors, Corporate Secretary or other person authorized to receive written correspondence addressed to the Company;**

– **it may be directed by facsimile transmission.**

Proposal to hold an extraordinary shareholders' meeting shall contain the information stipulated in article 55 of Joint-Stock Companies Law.

Only signed by the shareholders (their representatives) proposals to hold an extraordinary shareholders' meeting shall be deemed submitted.

In case the proposal to hold an extraordinary shareholders' meeting is signed by a shareholder's representative, such a proposal should be attached with the power of attorney (or its copy verified in due course) containing information on the represented person and his/her representative in accordance with the requirements of Joint-Stock Companies Law.

In case the proposal to hold an extraordinary shareholders' meeting is signed by a shareholder (their representative) whose shares are kept by a depository on a depot account, such a proposal should be accompanied by an extract from such a depot account.

Proposal to hold an extraordinary shareholders' meeting may be withdrawn by a person who directed such a request. Such a withdrawal may be directed by any way stipulated for the direction of the proposals. In this case the date of withdrawal receipt shall be the date of receipt by the Company the posting, the withdrawal delivery date or the date of fax delivery.

If within the term determined by Joint-Stock Companies Law the Board of Directors wouldn't adopt decision on convocation or refusal to convoke an extraordinary shareholders' meeting, the meeting may be convoked by the bodies or persons who requested its convocation.

Determination of date of the general shareholders' meeting:

Convocation of annual and extraordinary General Shareholders' Meetings is an exclusive competence of the Board of Directors, except for cases stipulated in Article 55.8 of Joint-Stock Companies Law.

Annual General Shareholders' Meeting shall be held not earlier than 4 months and not later than 6 months after the completion of a fiscal year.

Extraordinary General Shareholders' Meeting convened at the Company's Auditing Commission request, Auditors' request or at the request of shareholders (a shareholder) owning at least 10 per cent of the Company's voting shares shall be held within 40 days from the date of the request to hold EGM.

The EGM convened at the Company's Audit Commission request, Auditors' request or on the request of shareholders (a shareholder) owning at least 10 per cent of the Company's voting shares, the agenda of which contains the item of election of the Company Board of Directors', shall be held within 70 days from the date of the request to hold EGM.

In case the number of the Company Board of Directors' members becomes less the quorum necessary to hold the sessions of the Board of Directors, the EGM convened on the decision of the Board of Directors under its own initiative to settle the issue of the Board of Directors' members election, shall be held within 70 days from the date of decision taken by the Company's Board of Directors.

Persons authorized to submit proposals to the agenda of the general shareholders' meeting; procedure of such proposals' submission:

Shareholders (a shareholder) owning in aggregate at least 2 per cent of the Company's voting stock, are authorized to submit proposals to the Annual General Shareholders' Meeting and nominate candidates to the Board of Directors and to the Audit Commission, the number of which shall not exceed the one determined by the Company's Charter. Such proposals shall enter the Company not later than 45 days after completion of a fiscal year.

When preparing an Extraordinary General Shareholders' Meeting having in its agenda the item of election the Company's Board of Directors, the shareholders (a shareholder), owning in aggregate at least 2 per cent of voting shares shall have a right to nominate candidates to the Company's Board of Directors, the number of which shall not exceed the number of Board of Directors stated herein. Such proposals shall enter the Company not later than 30 days prior to EGM.

Proposals on introducing items to the agenda of the Annual General Shareholders' Meeting, on nominating candidates into the Company's Bodies, elected by the General Shareholders' Meeting can be submitted in the following way:

- sent by mail to the Company's sole executive body address (location), kept in the state unified register of legal entities;***
- delivered under notice of receipt to the person, acting as the Company's sole executive body, to the Chairman of the Board of Directors or to another person authorized to take correspondence, addressed to the Company;***
- sent by facsimile transmission.***

Proposals on introducing items into the agenda of the Annual General Shareholders' Meeting, on nominating candidates into the Company's Bodies, elected by the General Shareholders' Meeting, shall contain information stated in Article 53 of the Joint-Stock Companies Law. Proposal on nomination of candidates to the Board of Directors and to the Audit Commission of the Company shall contain:

- date of birth;***
- details of education;***
- post address of the candidate for correspondence.***

Only signed by the shareholders (their representatives) proposals on the AGM's agenda, on nominating candidates into the Company's Bodies, elected by the General Shareholders Meeting,

and the request on the Extraordinary General Shareholders Meeting calling shall be considered as submitted.

In case the proposal on the AGM agenda, on nominating candidates into the Company's Bodies, elected by the General Shareholders' Meeting is signed by the shareholder's representative, this proposal (request) shall be attached with the power of attorney (copy of the power of attorney verified in due course), containing the information about the represented shareholder and his representative, which in accordance with the Joint-Stock Companies Law shall be in power of attorney on voting, and in the form specified therefore by the said law.

In case the proposal on the AGM agenda, on nominating candidates into the Company's Bodies is signed by a shareholder (their representative) whose shares are kept by a depository on a depot account, such a proposal should be accompanied by an extract from such a depot account.

Proposals on the AGM agenda, on nominating candidates into the Company's Bodies may be withdrawn by a person who directed such a request. Such a withdrawal may be directed by any way stipulated for the direction of the proposals. In this case the date of withdrawal receipt shall be the date of receipt by the Company the posting, personal delivery or fax delivery.

Persons entitled to view the information (materials) pertaining to the preparation and holding the General Shareholders' Meeting; procedure of rendering such information (materials) by the Company:

Information (materials) pertaining to the General Shareholders' Meeting shall be rendered for review to the persons authorized to participate in the General Shareholders' Meeting. The list of persons authorized to participate in the General Shareholders' Meeting shall be compiled based on the Company shareholders' Register data.

Persons entitled to participate in the General Shareholders Meeting shall be provided with the following information (materials) according to the procedure and at the place (places) stated in the Notice on the General Shareholders Meeting:

- **annual accounting reports including auditors' opinion and Company auditing commission opinion on the results of annual accounting audit,**
- **information on the candidates into the Board of Directors and Auditing Commission of the Company,**
- **draft alterations and amendments to be introduced into the Company Charter, or new edition of the Company Charter,**
- **internal documents draft,**
- **other drafts of documents to be adopted by the draft decisions of the General Shareholders Meeting,**
- **draft decisions of the General Shareholders Meeting,**
- **any other information (materials), necessary to be provided pursuant to the current legislation,**
- **any other information (materials) necessary to take decisions on the General Shareholders Meeting' agenda, covered by the Board of Directors in the list of information (materials) to be provided to the shareholders when preparing the General Shareholders Meeting.**

Procedure of rendering information to the Company's shareholders is defined in the 'Provisions on rendering documents to the shareholders of OJSC 'Uralsvyazinform' approved by the Board of Directors (Protocol of the session # 22, dd. 25 February 2004).

Procedure of announcement of the resolutions adopted by the General Shareholders' Meeting and results of voting:

Voting results and resolutions adopted by the General Shareholders' Meeting may be

- 1) read out at the General Shareholder' Meeting or**
- 2) brought to the notice of persons entitled to participate in the meeting according to the order of distribution notifications on the General Shareholders' Meeting.**

8.1.5. Information on commercial organizations in which the Issuer owns at least 5 per cent of the Charter Capital or at least 5 per cent of ordinary shares

The list of commercial organizations in which the Issuer owns at least 5 per cent of the Charter Capital or at least 5 per cent of the ordinary stock as of the end of the first quarter 2007:

1. Name: Limited Liability Company 'Permskaya teleradiokompaniya 'Ural-Inform TV'

Address: 2 Krupskoy str., 614060 Russia

Share of the Company's Charter Capital owned by the Issuer: 100%

Share of the Issuer's Charter Capital owned by the Company: no share

Share of the Issuer's ordinary stock owned by the Company: no share

2. Name: Limited Liability Company 'Permtelcom'
Address: **45, Podlesnaya str., 614062, Perm, Russia**
Share of the Company's Charter Capital owned by the Issuer: **100%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

3. Name: Closed Joint-stock Company 'Kurganskiy sotoviy telefon'
Address: **22, 151/2 Gogol str., 640022, Kurgan, Russia**
Share of the Company's Charter Capital owned by the Issuer: **50%**
Share of the Company's ordinary stock owned by the Issuer: **50%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

4. Name: Closed Joint-stock Company 'TeleRoss-Yekaterinburg'
Address: **13, Antona Valeka str., 620026, Yekaterinburg, Russia**
Share of the Company's Charter Capital owned by the Issuer: **50%**
Share of the Company's ordinary stock owned by the Issuer: **50%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

5. Name: Closed Joint-stock Company 'TeleRoss-Yekaterinburg'
Address: **13, Antona Valeka str., 620026, Yekaterinburg, Russia**
Share of the Company's Charter Capital owned by the Issuer: **50%**
Share of the Company's ordinary stock owned by the Issuer: **50%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

6. Name: Closed Joint-stock Company 'Parma-pension'
Address: **2, Krupskoy str., 614600, Perm, Russia**
Share of the Company's Charter Capital owned by the Issuer: **28,2%**
Share of the Company's ordinary stock owned by the Issuer: **28,2%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

7. Name: Closed Joint-stock Company 'Ural-Teleservis'
Address: **9, Shevchenko str., room 4222, 620027 Yekaterinburg, Russia**
Share of the Company's Charter Capital owned by the Issuer: **25,2%**
Share of the Company's ordinary stock owned by the Issuer: **25,2%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

8. Name: Closed Joint-stock Company 'Uralskaya telefonnaya kompaniya'
Address: **57-a, Blukhera str., 620137, Yekaterinburg, Russia**
Share of the Company's Charter Capital owned by the Issuer: **23%**
Share of the Company's ordinary stock owned by the Issuer: **23%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

9. Name: Closed Joint-stock Company "Rostelegraph"
Address: **7, Tverskaya ul., 103375, Moscow**
Share of the Company's Charter Capital owned by the Issuer: **11,76%**
Share of the Company's ordinary stock owned by the Issuer: **11,76%**
Share of the Issuer's Charter Capital owned by the Company: **no share**
Share of the Issuer's ordinary stock owned by the Company: **no share**

10. Name: Closed Joint-stock Company "Research and Technology Center 'Comset'"

Address: **7, 1 Parkovaya ul., 105037, Moscow, Russia**

Share of the Company's Charter Capital owned by the Issuer: **11,09%**

Share of the Company's ordinary stock owned by the Issuer: **11,09%**

Share of the Issuer's Charter Capital owned by the Company: **no share**

Share of the Issuer's ordinary stock owned by the Company: **no share**

11. Name: Open Joint-stock Company "Informatsionnyie Tekhnologii Svyazi" ("Svyazintekh")

Address: **38, Prechistenka ul., 119034, Moscow, Russia**

Share of the Company's Charter Capital owned by the Issuer: **11%**

Share of the Company's ordinary stock owned by the Issuer: **11%**

Share of the Issuer's Charter Capital owned by the Company: **no share**

Share of the Issuer's ordinary stock owned by the Company: **no share**

12. Name: Open Joint-stock Company "Insurance Company "Ural-American Intercontinental Life Insurance Company"

Address: **80 A, Gagarin Avenue, 614077, Perm, Russia**

Share of the Company's Charter Capital owned by the Issuer: **6,06%**

Share of the Company's ordinary stock owned by the Issuer: **6,06%**

Share of the Issuer's Charter Capital owned by the Company: **no share**

Share of the Issuer's ordinary stock owned by the Company: **no share**

8.1.6. . Information on major transactions effected by the Issuer

Major transactions (groups of transactions), debt obligations on which amount to 10 or more per cent of the Issuer's book value of assets as stated in its financial statements as of the last reporting quarter preceding the date of transaction: **there were no such transactions in the 2nd quarter 2007.**

8.1.7. Credit ratings of the Issuer

1. Name of organization that assigned credit rating to the Issuer: **Standard&Poor's, a division of The McGraw-Hill Companies, Inc.**

Address: **55 Water Street, New York, NY, United States, 10041**

Type of rating: **Issuer's credit rating**

Credit rating as of March 31, 2007: **BB-/Stable**

Credit rating history as of the last 5 completed fiscal years:

Date of assignment	Credit rating
12/17/2001	B-/Stable
04/02/2003	B/Stable
04/14/2005	B+/Stable
09/30/2005	B+/Stable (affirmed)
09/27/2006	BB-/Stable

Methodology of credit rating assignment: **Standard&Poor's internal methodology.**

Web-site where the information on methodology of credit rating assignment is available:

<http://www.standardandpoors.ru/>

Other information on credit rating: **no.**

2. Name of organization that assigned credit rating to the Issuer: **FITCH RATINGS, Inc.**

Address: **One State Street Plaza New York, NY, United States, 10004**

Type of rating: **Issuer's credit rating**

Credit rating as of March 31, 2007: **B+/Stable**

Credit rating history as of the last 5 completed fiscal years:

Date of assignment	Credit rating
May 1999	CCC
May 2000	B-
04/12/2001	B/Stable
05/14/2003	B+/Positive
03/26/2004	BB-/Stable
09/30/2005	BB-/Stable
12/02/2005	B+/Negative
02/07/2006	B+/Negative
11/23/2006	B+/Stable

Methodology of credit rating assignment: **FITCH RATINGS internal methodology.**

Web-site where the information on methodology of credit rating assignment is available:
<http://www.fitchratings.ru/>

Other information on credit rating: **no.**

8.2. Information on each category (type) of the Issuer's shares

1. 1. Category of shares: **ordinary**

Share par value: **RUR 0.12**

Number of shares outstanding: **32 298 782 020**

Number of additional shares being placed at the moment: **0**

Number of shares authorized for issuance in addition to those outstanding: **11 445 155 709**

Number of shares accounted at the Issuer's balance sheet: **0**

Number of additional shares that may possibly be placed after securities conversion or in consequence of discharge of obligations on the Issuer's options: **0**

State registration number and date of state registration: **in accordance with the notice by the RF Federal Commission on the Securities Market, all ordinary shares issues of Uralsvyazinform were consolidated into one issue with the state registration number 1-07-00175-A dd. September 9, 2003**

Date of the state registration of the first share issue out of those consolidated: **March 27, 2000**

Rights granted to the shareholders in accordance with the Company's Charter:

Extract from the Company's Charter

Article 7. Rights and Duties of the Shareholders Owning Company Ordinary Shares

"7.1. Each Company common share provides to its holder the same rights.

7.2. Each shareholder owning Company common shares has the following rights:

7.2.1. to participate in the General Shareholders Meeting according to the procedure provided by the Russian Federation legislation in force;

7.2.2. to receive dividends according to the procedure provided by the Russian Federation legislation in force and this Charter, in case they are authorized by the Company;

7.2.3. to receive a part of the Company property, remained after its liquidation, pro rata his/her shares;

7.2.4. to receive access to the documents set forth in Article 89.1 of the Federal law "On joint-stock companies", according to the procedure set forth in Article 91 thereof;

7.2.5. to request from the registrar the confirmation of his/her shareholder's ownership rights by receiving an extract from the Company Shareholders Register;

7.2.6. to receive from the Company registrar an information on all the records at his/her personal account as well as any other information provided for by the legal acts of the Russian Federation, establishing the procedure of Shareholders register keeping;

7.2.7. to dispose his/her shares without any consent of other shareholders and the Company;

7.2.8. to defend in courts his/her violated civil rights including the demand to the Company for compensation of damages, in cases provided for by the Russian Federation legislation in force;

7.2.9. to demand the redemption of all his/her shares or their part from the Company in cases and according to procedure provided for by the Russian Federation legislation in force;

7.2.10. to sell his/her shares to the Company in case the Company has decided to buy these shares;

7.2.11. to demand from the Company an extract from the list of persons entitled to participate in the General Shareholders Meeting, containing information on the shareholder;

7.2.12. to have preemption right to buy additionally placed via open subscription shares and issued securities, swapped into shares, in the amount pro rata to his/her owned shares.

7.3. A shareholder owning more than 1 per cent of the Company voting shares, has the right to request from the Company registrar an information on names of shareholders registered in the Shareholders Register and on the amount, category and par value of the shares they own (This information is submitted without naming their address).

7.4. Shareholders (shareholder), owning at least 1 per cent of the Company placed common shares have the right to bring suit into the court against a member of the Company Board of Directors, against the Company sole executive body, against a member of the Company collegiate executive body, as well as against a controlling organization or a director to compensate damages caused to the Company as a result of guilty activities (inactivity) of the above-mentioned persons.

7.5. Shareholders owning at least 1 per cent of votes at the General Shareholders Meeting shall have the right to request from the Company the list of persons entitled to participate in the meeting. In this case the information containing shareholders' documents data and their addresses shall be disclosed only with their consent.

7.6. Shareholders (a shareholder) owning in aggregate at least 2 per cent of the Company voting shares shall have the right to put items into the AGM agenda and nominate candidates to the Company managing and auditing boards to be elected by the General Shareholders Meeting. When preparing an Extraordinary Shareholders Meeting having on its agenda the election of the Company Board of Directors, the above-mentioned shareholders (shareholder) shall have the right to propose candidates for election into the Company Board of Directors.

7.7. Shareholders (a shareholder) owning in aggregate at least 10 per cent of the Company voting shares shall have the right to demand from the Company Board of Directors to convene an Extraordinary the General Shareholders Meeting. If within the period set forth by the Russian Federation legislation in force and by this Charter the Company Board of Directors does not take the decision to convene an Extraordinary the General Shareholders Meeting or it takes the decision not to convene it, an Extraordinary the General Shareholders Meeting can be convened by the above-mentioned shareholders.

7.8. Shareholders (a shareholder) owning in aggregate at least 10 per cent of the Company voting shares shall have the right at any time to demand the auditing of financial and economic activities of the Company.

7.9. Shareholders (a shareholder) owning in aggregate at least 25 per cent of the Company voting shares shall have the right to access and receive copies of accounting reports and minutes of the Company collegiate executive body meetings.

7.10. Shareholders owning Company common shares shall have some other rights provided for by the current legislation of the Russian Federation as well as by this Charter."

Other information on the present category of shares: **no**.

2. Category of shares: **preference**

Share par value: **RUR 0.12**

Number of shares outstanding: **7 835 941 286**

Number of additional shares being placed at the moment: **0**

Number of shares authorized for issuance in addition to those outstanding: **7 164 058 714**

Number of shares accounted at the Issuer's balance sheet: **0**

Number of additional shares that may possibly be placed after securities conversion or in consequence of discharge of obligations on the Issuer's options: **0**

State registration number and the date of the state registration: **in accordance with the notice by the RF Federal Commission on the Securities Market, all preference shares issues of Uralsvyazinform were consolidated into one issue with the state registration number 2-01-00175-A dd. September 9, 2003.**

Date of the state registration of the first share issue out of those consolidated – **June 10, 2002**

Rights granted to the shareholders in accordance with the Company's Charter:

Extract from the Company's Charter

Article 8. Rights and Duties of the Shareholders Owning Company Preference Shares

"8.1. Each Company preferred share provides to its holder the same rights.

8.2. Shareholders owning preferred shares shall have the right to receive annual fixed dividends, except cases provided for by this Charter. Total amount of dividends on each preferred share shall be at the rate of 10 percent of the Company net profit of the last fiscal year divided by

total number of preferred shares placed. In case the amount of dividends payable by the Company on each common share in a given year exceeds the amount payable as dividends on each preferred share, the amount payable on the latter shall be increased up to the dividend amount payable on the common share.

8.3. The shareholders owning preferred shares shall have the right to participate in the General Shareholders Meeting having the constituent power when voting the issues of reorganization and liquidation of the Company as well as when amending and editing the Company Charter if such amendments limit the right of the above-mentioned shareholders.

8.4. The shareholders of preferred shares shall have the right to participate in the General Shareholders Meeting having constituent power to vote all the agenda items when the General Shareholders Meeting has not approved, irrespective of the reasons, the decision to pay dividends or has taken the decision to pay the partial dividends on preferred shares. The shareholders of preferred shares shall accrue this power beginning from the meeting which follows the AGM where the decision to pay dividends has not been taken and shall be terminated at the date of the first full dividend pay-out on the preferred shares.

8.5. Preferred shares holders shall have the rights provided for by Articles 7.2.3, 7.2.4, 7.2.5, 7.2.6, 7.2.7, 7.2.8, 7.2.10, 7.2.11, and 7.2.12 hereof for the Company common shares holders. These rights are provided to the holders of the preferred shares including cases when these shares are not voting ones.

8.6. Preferred shares holders shall have the rights provided for by Articles 7.3, 7.6, 7.7, 7.8 and 7.9 hereof in case the preferred shares have the constituent power on all the items being in competence of the Company General Shareholders Meeting.

8.7. The preferred shares holders shall have the right to demand from the Company the redemption of all his/her shares or their part in cases and according to procedure provided for by the Russian Federation legislation in force ;

8.8. The preferred shares holders owning at least 1 per cent of votes at the General Shareholders Meeting shall have the right to request from the Company the list of persons entitled to participate in the meeting. In this case the information containing shareholders' documents data and their addresses shall be disclosed only with their consent.

8.9. Shareholders of the Company preferred shares shall have some other rights provided for by the Russian Federation legislation in force as well as by this Charter."

Other information on the present category of shares: *no*.

8.3. Information on previous securities issues of the Issuer other than Issuer's shares

8.3.1. Information on outstanding securities issues

Type of securities: **bonds**

Overall number of the present-type securities of the Issuer outstanding at the moment: **10 068 669**

Overall par value of the present-type securities of the Issuer outstanding at the moment:
RUR **10,055,467,450**

Major bond issues:

1. Sequence number of the issue: **108**

Type: **bonds**

Series: **04**

Form of securities: **non-convertible documentary interest-bearing bearer bonds**

Information on state registration of the bond issue:

state registration number: **4-07-00175-A**

date of state registration: **September 23, 2004**

date of state registration of the Placement Report: **December 9, 2004**

Amount of actually placed securities in accordance with the Placement Report: **3,000,000**

Bond par value: **RUR 1,000**

Overall par value of the bond issue: **RUR 3,000,000,000**

Maturity date: **November 1, 2007**

Guarantee provided to the securities issue:

- organization that provided guarantee: **“Express-Leasing” LLC**
- guarantee type: **pledge**
- amount of pledge: **RUR 3,000,000,000 (Three billion), as well as an aggregate coupon yield on 3,000,000 (three million) bonds.**

2. Sequence number of the issue: **109**

Type: **bonds**

Series: **05**

Form of securities: **non-convertible documentary interest-bearing bearer bonds**

Information on state registration of the bond issue:

state registration number: **4-08-00175-A**

date of state registration: **September 23, 2004**

date of state registration of the Placement Report: **June 8, 2005**

Amount of actually placed securities in accordance with the Placement Report: **2,000,000**

Bond par value: **RUR 1,000**

Overall par value of the bond issue: **RUR 2,000,000,000**

Guarantee provided to the securities issue:

- organization that provided guarantee: **“Express-Leasing” LLC**
- guarantee type: **pledge**
- amount of pledge: **RUR 2,000,000,000 (two billion), as well as an aggregate coupon yield on 2,000,000 (two million) bonds.**

3. Sequence number of the issue: **110**

Type: **bonds**

Series: **06**

Form of securities: **non-convertible documentary interest-bearing bearer bonds**

Information on state registration of the bond issue:

state registration number: **4-09-00175-A**

date of state registration: **November 3, 2005**

date of state registration of the Placement Report: **December 29, 2005**

Amount of actually placed securities in accordance with the Placement Report: **2,000,000**

Bond par value: **RUR 1,000**

Overall par value of the bond issue: **RUR 2,000,000,000**

Redemption period: **the bonds shall be redeemed sequentially in the following terms:**

on the 1456th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – November 19, 2009;

on the 1638th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – May 20, 2010;

on the 1820th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – November 18, 2010;

on the 2002nd day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – May 19, 2011;

on the 2184th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – November 17, 2011.

Guarantee provided to the securities issue:

- organization that provided guarantee: **“Express-Leasing” LLC**
- guarantee type: **pledge**
- amount of pledge: **RUR 2,000,000,000 (two billion), as well as an aggregate coupon yield on 2,000,000 (two million) bonds.**

4. Sequence number of the issue: **111**

Type: **bonds**

Series: **07**

Form of securities: **non-convertible documentary interest-bearing bearer bonds**

Information on state registration of the bond issue:

state registration number: **4-10-00175-A**
date of state registration: **November 3, 2005**
date of state registration of the Placement Report: **May 16, 2006**
Amount of securities within the issue: **3 000 000**
Bond par value: **RUR 1,000**
Overall par value of the bond issue: **RUR 3,000,000,000**

Redemption period: **the bonds shall be redeemed sequentially in the following terms:**
on the 1456th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – March 16, 2010;
on the 1638th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – September 14, 2010;
on the 1820th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – March 15, 2011;
on the 2002nd day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – September 13, 2011;
on the 2184th day from the start date of placement each bond shall be partially redeemed in the amount of 20 per cent of the par value – March 13, 2012.

Guarantee provided to the securities issue:
– organization that provided guarantee: **“Express-Leasing” LLC**
– guarantee type: **pledge**
– amount of pledge: **RUR 3,000,000,000 (three billion), as well as an aggregate coupon yield on 3,000,000 (three million) bonds.**

8.3.2. Information on default securities issues

Default securities issues: **no.**

8.4. Information on the persons that provided guarantee on the bonds of each series

1. Guarantee on non-convertible documentary interest-bearing bearer bonds of 04 series with obligatory centralized custody, state registration number 4-07-00175-A:

organization that provided guarantee: **Limited Liability Company “Express-Leasing”**
address: **17, Tolmachova ul., 614068, Perm, Russia**

2. Guarantee on non-convertible documentary interest-bearing bearer bonds of 05 series with obligatory centralized custody, state registration number 4-08-00175-A:

organization that provided guarantee: **Limited Liability Company “Express-Leasing”**
address: **17, Tolmachova ul., 614068, Perm, Russia**

3. Guarantee on non-convertible documentary interest-bearing bearer bonds of 06 series with obligatory centralized custody, state registration number 4-09-00175-A:

organization that provided guarantee: **Limited Liability Company “Express-Leasing”**
address: **17, Tolmachova ul., 614068, Perm, Russia**

4. Guarantee on non-convertible documentary interest-bearing bearer bonds of 07 series with obligatory centralized custody, state registration number 4-10-00175-A:

organization that provided guarantee: **Limited Liability Company “Express-Leasing”**
address: **17, Tolmachova ul., 614068, Perm, Russia**

8.5. Fulfillment of obligations on bonds of each series

1. Guarantee on non-convertible documentary interest-bearing bearer bonds of 04 series with obligatory centralized custody, state registration number 4-07-00175-A:

- guarantee type: **pledge**
– amount of pledge: **RUR 3,000,000,000 (three billion), as well as an aggregate coupon yield on**

3,000,000 (three million) bonds.

Issuer's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 14,683,387 thousand**

Guarantor's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 3,660,541 thousand**

Guarantor's net asset value as of June 30, 2007: **RUR 96,489 thousand**

2. Guarantee on non-convertible documentary interest-bearing bearer bonds of 05 series with obligatory centralized custody, state registration number 4-08-00175-A:

- guarantee type: **pledge**

- amount of pledge: **RUR 2,000,000,000 (two billion), as well as an aggregate coupon yield on 2,000,000 (two million) bonds.**

Issuer's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 14,683,387 thousand**

Guarantor's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 3,660,541 thousand**

Guarantor's net asset value as of June 30, 2007: **RUR 96,489 thousand**

3. Guarantee on non-convertible documentary interest-bearing bearer bonds of 06 series with obligatory centralized custody, state registration number 4-09-00175-A:

- guarantee type: **pledge**

- amount of pledge: **RUR 2,000,000,000 (two billion), as well as an aggregate coupon yield on 2,000,000 (two million) bonds.**

Issuer's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 15,873,556 thousand**

Guarantor's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 40,125 thousand**

Guarantor's net asset value as of June 30, 2007: **RUR 96,489 thousand**

4. Guarantee on non-convertible documentary interest-bearing bearer bonds of 07 series with obligatory centralized custody, state registration number 4-10-00175-A:

- guarantee type: **pledge**

- amount of pledge: **RUR 3,000,000,000 (three billion), as well as an aggregate coupon yield on 3,000,000 (three million) bonds.**

Issuer's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 15,873,556 thousand**

Guarantor's net asset value as of the last reporting date prior to the date of granting guarantee: **RUR 40,125 thousand**

Guarantor's net asset value as of June 30, 2007: **RUR 96,489 thousand**

8.6. Information on organizations that settle book-entries on the Issuer's issue securities

Organization that performs maintenance of the Issuer's Securities Registers (the "Registrar"):

Open Joint-Stock Company "Objedinyonnaya registratsionnaya kompaniya"

Legal address: **70, Pyatnitskaya ul., 113095, Moscow, Russia**

Post address: **15A, Post office box 162, 107078, Moscow, Russia**

Tel.: **(495) 504 2886, fax: (495) 504 2886, e-mail address: ork@ork-reestr.ru**

License for securities registers maintenance: **#10-000-1-00314 dd. March 3, 2004, issued by the Federal Commission for the Securities Market for an indefinite term**

Details of the Contract concluded between the Registrar and the Issuer: **Agreement №005101-02 dd. May 24, 2002**

Depository that performs centralized custody of the Issuer's securities:

Name: **Non-profit Partnership "The National Depository Center"**

Address: **1/13, bld. 4, Sredny Kislovsky Pereulok, 125009 Moscow, Russia**

Tel.: **(495) 223 6392, fax: (495) 956 0938, e-mail address: info@ndc.ru**

Licenses:

license for depository operations: #177-03431-000100 dd. December 4, 2000 , issued by the **Federal Commission for the Securities Market for an indefinite term**;

license for clearing operations: #177-03437-000010 dd. December 4, 2000 , issued by the **Federal Commission for the Securities Market for an indefinite term**

The date on which the depository launched centralized custody of the Issuer's securities:
July 2, 2002.

8.7. Information on legal acts that govern import and export of capital that may affect the dividend, interest and other payments to non-residents

1. **Tax Code of the Russian Federation (Part I) dd. July 31, 1998 # 146-Φ3 (as amended and restated as of December 30, 2006).**

2. **Tax Code of the Russian Federation (Part II) dd. August 5, 2000 #117-Φ3 (as amended and restated as of December 30, 2006).**

3. **Customs Code of the Russian Federation dd. May 28, 2003 #61-Φ3 (as amended and restated as of December 30, 2006).**

4. **Joint-Stock Companies Law dd. December 26, 1995 #208-Φ3 (as amended and restated as of February 5, 2007).**

5. **Foreign Investments Law dd. July 9, 1999 #160-Φ3 (as amended and restated as of June 3, 2006).**

6. **Currency Exchange Regulation and Control Law dd. December 10, 2003 #173-Φ3 (as amended and restated as of December 30, 2006).**

7. **Federal Law dd. March 5, 1999 #46-Φ3 "On Protection of Rights and Legitimate Interests of Investors at the Securities Market" (as amended as of July 27, 2006, and restated as of December 19, 2006).**

8. **Federal Law dd. August 7, 2001 #115-Φ3 "On Prevention of Legalization of Proceeds from Crime, and Terrorist Financing" (as amended as of July 27, 2006).**

9. **Securities Market Law dd. April 22, 1996 #39-Φ3 (as amended as of December 30, 2006).**

10. **Investment Law of the Russian Soviet Federative Socialist Republic dd. June 26, 1991 №1488-1 (as amended as of January 10, 2003).**

11. **Federal Laws of the Russian Federation on ratification of Double Taxation Conventions between the Russian Federation and foreign states.**

12. **Other legislative Acts of the Russian Federation (if applicable).**

8.8. Taxation of yield on the Issuer's issue securities that have been placed or are being placed

Taxation of yield derived from the Issuer's securities is governed by the Tax Code of the Russian Federation and other legislative Acts adopted in accordance with the Tax Code.

Taxation of yield on the Issuer's shares depending on the category of the shareholders:

1. Individuals – tax residents of the Russian Federation

Individuals' income tax is assessed and paid pursuant to the chapter 23 part 2 of the Tax Code of the Russian Federation adopted as of August 5, 2000, #117-Φ.

Individual persons being Russian Federation tax residents shall pay income tax on the following types of income derived from the operations with the shares:

1) **income from shares trading.**

– **purchase and sale of securities circulating on the organized securities market;**

– **purchase and sale of securities that are not circulating on the organized securities market.**

Income (loss) from purchase and sale of securities is calculated as a difference between the sums derived from the sales of securities and expenses on purchase, sale and storage of securities actually incurred by the taxpayer (including expenses reimbursed to the professional participants of the securities market), provided that such expenses are document supported.

Such expenses include:

– **sums paid to the seller of securities pursuant to the Contract;**

– **charges for the depository services;**

– **commission fees to the professional participants of the securities market;**

– **exchange charge;**

– **register charge;**

– **other expenses related to the purchase, sale and storage of securities.**

Tax rate: 13 (thirteen) per cent.

2) divided yield.

If the taxpayer receives dividend from the Russian organization, such organization shall be regarded as a taxpayer's tax agent and shall calculate the tax sum for each separate taxpayer with respect to each yield payment, at the rate of 9 (nine) per cent.

Tax agents should retain the accrued tax directly from the taxpayer's yield at the moment of its actual payout.

2. Individuals who are not the tax residents of the Russian Federation

Individual persons who are not the Russian Federation tax residents shall pay income tax on the following types of income derived from the operations with the shares:

1) income from shares sales.

2) divided yield.

Tax rate: 30 (thirty) per cent.

3. Legal entities (organizations) – tax residents of the Russian Federation

Legal entities being Russian Federation tax residents shall pay income tax on the following types of income derived from the operations with the shares:

1) income from shares trading.

Tax rate: 24 (twenty four) per cent.

2) divided yield.

Tax rate: 9 (nine) per cent:

The Russian organization, when paying dividend yield to any legal entity, shall act as a tax agent to such entity.

4. Legal entities (organizations) that are not the tax residents of the Russian Federation

Tax rates:

– 15 (fifteen) per cent – for the dividend yield received by non-residents from the Russian organizations;

– 20 (twenty) per cent – for the income derived from the sales of shares of the Russian organizations.

Taxation of yield derived from the bonds depending on the category of the bondholders:

1. Individuals – tax residents of the Russian Federation

Tax rate for the income derived by the individual persons, such as coupon payments, redemption of bonds, or sales of bonds prior to the maturity term, shall be 13 per cent.

2. Individuals who are not the tax residents of the Russian Federation

Tax rate for the income derived by the individual persons who are not the Russian Federation residents, such as coupon payments, redemption of bonds, or sales of bonds prior to the maturity term, shall be 30 per cent, unless otherwise specified in International Treaties for Avoiding Dual Taxation.

3. Legal entities (organizations) – tax residents of the Russian Federation

Tax rate: 24 per cent.

4. Legal entities (organizations) that are not the tax residents of the Russian Federation

Foreign organizations that operate within the Russian Federation through their permanent representative offices shall calculate the tax sums due in an order similar to that set forth for the legal entities being tax residents of the Russian Federation, taking into account article 307 of the Russian Federation Tax Code.

The tax rate for the foreign organizations that do not operate within the Russian Federation through their permanent representative offices, is 20 per cent. The Russian organization that pays the bonds coupon yield to such foreign organization shall act as its tax agent.

In case there is a Treaty for Avoiding Dual Taxation between the Russian Federation and the state of residence of the foreign company raising the coupon yield, the tax rate shall be set pursuant to the provisions of such a Treaty.

8.9. Information on declared (accrued) and disbursed dividends on the Issuer's shares, as well as yield on the Issuer's bonds

1. Category of shares: **ordinary**

a) Reporting period for which the declared dividend on the Issuer's securities was paid: **2001 fiscal year**

Declared dividend yield per share: **RUR 0.0012**

Total amount of declared dividend for all the shares of the certain category: **RUR 10,492,725.27**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities: **Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")**

The date of the AGM: **31 May, 2002**

Date of the AGM Minutes: **Minutes dd. 31 May, 2002**

Term of payment of the declared dividend on the certain category of shares: **until December 31, 2002**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

b) Reporting period for which the declared dividend on the Issuer's securities was paid: **2002 fiscal year**

Declared dividend yield per share: **RUR 0.00394**

Total amount of declared dividend for all the shares of the certain category: **RUR 127,257,201.15**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities: **Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")**

The date of the AGM: **June 20, 2003.**

Date of the AGM Minutes: **Minutes dd. June 20, 2003.**

Term of payment of the declared dividend on the certain category of shares: **until December 31, 2003**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

c) Reporting period for which the declared dividend on the Issuer's securities was paid: **2003 fiscal year**

Declared dividend yield per share: **RUR 0.01**

Total amount of declared dividend for all the shares of the certain category: **RUR 322,987,820.20**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities: **Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")**

The date of the AGM: **June 25, 2004.**

Date of the AGM Minutes: **Minutes dd. July 7, 2004.**

Term of payment of the declared dividend on the Issuer's shares: **until December 15, 2004**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

d) Reporting period for which the declared dividend on the Issuer's securities was paid: **2004 fiscal year**

Declared dividend yield per share: **RUR 0.015**

Total amount of declared dividend for all the shares of the certain category: **RUR 484,481,730.30**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities: **Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")**

The date of the AGM: **June 23, 2005**

Date of the AGM Minutes: **Minutes dd. 27 June, 2005**

Term of payment of the declared dividend on the Issuer's shares: **until December 15, 2005**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

e) Reporting period for which the declared dividend on the Issuer's securities was paid: **2005 fiscal year**

Declared dividend yield per share: **RUR 0.01605**

Total amount of declared dividend for all the shares of the certain category: **RUR 518,395,451.42**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities: **Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")**

The date of the AGM: **June 22, 2006**

Date of the AGM Minutes: **Minutes dd. 29 June, 2006**

Term of payment of the declared dividend on the Issuer's shares: **until December 15, 2006**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

f) Reporting period for which the declared dividend on the Issuer's securities was paid: **2006 fiscal year**

Declared dividend yield per share: **RUR 0.016393**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities:

Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")

The date of the AGM: **June 15, 2007**

Term of payment of the declared dividend on the Issuer's shares: **until December 15, 2007**

Form of dividend payment: **the payment is made in cash and non-cash forms, in the Russian Federation currency**

Overall amount of dividend paid on the Issuer's shares of one category: **RUR 0.00**

The term for dividend payment has not expired yet.

2. Category of shares: **preference**

a) Reporting period for which the declared dividend on the Issuer's securities was paid: **2002 fiscal year**

Declared dividend yield per share: **RUR 0.0091**

Total amount of declared dividend for all the shares of the certain category: **RUR 71,307,065.70**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities:

Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")

The date of the AGM: **June 20, 2003.**

Date of the AGM Minutes: **Minutes dd. June 20, 2003.**

Term of payment of the declared dividend on the certain category of shares: **until August 19, 2003**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

b) Reporting period for which the declared dividend on the Issuer's securities was paid: **2003 fiscal year**

Declared dividend yield per share: **RUR 0.01848**

Total amount of declared dividend for all the shares of the certain category: **RUR 144,808,194.97**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities:

Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")

The date of the AGM: **June 25, 2004.**

Date of the AGM Minutes: **Minutes dd. July 7, 2004.**

Term of payment of the declared dividend on the certain category of shares: **until August 24, 2004**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

c) Reporting period for which the declared dividend on the Issuer's securities was paid: **2004 fiscal year**

Declared dividend yield per share: **RUR 0.0271**

Total amount of declared dividend for all the shares of the certain category: **RUR 212,354,008.85**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities:

Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")

The date of the AGM: **June 23, 2005**

Date of the AGM Minutes: **Minutes dd. July 7, 2004.**

Term of payment of the declared dividend on the certain category of shares: **until August 22, 2005**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

d) Reporting period for which the declared dividend on the Issuer's securities was paid: **2005 fiscal year**

Declared dividend yield per share: **RUR 0.02802**

Total amount of declared dividend for all the shares of the certain category: **RUR 219,563,074.83**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities:

Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")

The date of the AGM: **June 22, 2006**

Date of the AGM Minutes: **Minutes dd. 29 June, 2006**

Term of payment of the declared dividend on the certain category of shares: **until August 21, 2006**

Form of dividend payment: **the payment is made in monetary form**

Declared dividend was paid in full.

e) Reporting period for which the declared dividend on the Issuer's securities was paid: **2006 fiscal year**

Declared dividend yield per share: **RUR 0.026606**

Total amount of declared dividend for all the shares of the certain category: **RUR 208,483,053.86**

Issuer's internal authority that adopted resolution on payment of dividend on the Issuer's securities:

Annual General Shareholders Meeting of OJSC 'Uralsvyazinform' ("AGM")

The date of the AGM: **June 15, 2007.**

Term of payment of the declared dividend on the certain category of shares: **until August 14, 2007**

Form of dividend payment: **the payment is made in cash and non-cash forms, in the Russian Federation currency**

Overall amount of dividend paid on the Issuer's shares of one category: **RUR 0.00**

The term for dividend payment has not expired yet.

3. Category of securities: **bonds**

Series and form of the bonds: **documentary bearer bonds of 04 series**

State registration number and the date of the state registration: **#4-07-00175-A dd. September 23, 2004**

Date of the state registration of the Bond Placement Report: **December 9, 2004**

Amount of bonds within the issue: **3,000,000**

Bond par value: **RUR 1,000**

Total par value of the bond issue: **RUR 3,000,000,000**

Type of yield paid on the bonds: **(interest) coupon**

Amount of yield to be paid per bond: **RUR 49.81 per bond for each coupon period**

Total amount of yield to be paid on all bonds within the issue: **RUR 149,430,000 for each coupon period**

Terms of coupon payments:

Coupon yield on the 1st coupon to be paid on the 182nd day since the start date of the bonds placement – May 5, 2005.

Coupon yield on the 2nd coupon to be paid on the 364th day since the start date of the bonds placement – November 3, 2005.

Coupon yield on the 3^d coupon to be paid on the 546th day since the start date of the bonds placement – May 4, 2006.

Coupon yield on the 4th coupon to be paid on the 728th day since the start date of the bonds placement – November 2, 2006.

Coupon yield on the 5th coupon to be paid on the 910th day since the start date of the bonds placement – May 3, 2007.

Coupon yield on the last 6th coupon to be paid on the day of the bond issue redemption on the 1092nd day since the start date of the bonds placement – November 1, 2007.

Period for which the yield on the bond issue was paid: **since November 4, 2004 up to May 5, 2005**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 149,430,000**

Period for which the yield on the bond issue was paid: **since May 6, 2005 up to November 3, 2005**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 149,430,000**

Period for which the yield on the bond issue was paid: **since November 4, 2005 up to May 4, 2006**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 149,430,000**

Period for which the yield on the bond issue was paid: **since May 5, 2006 up to November 2, 2006**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 149,430,000**

Period for which the yield on the bond issue was paid: **since November 3, 2006 up to May 5, 2007**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 149,430,000**

Interest on the bond issue was paid out in full.

4. Category of securities: **bonds**

Series and form of the bonds: **documentary bearer bonds of 05 series**

State registration number and the date of the state registration: **#4-08-00175-A dd. September 23, 2004**

Date of the state registration of the Bond Placement Report: **June 8, 2005**

Amount of bonds within the issue: **2,000,000**

Bond par value: **RUR 1,000**

Total par value of the bond issue: **RUR 2,000,000,000**

Type of yield paid on the bonds: **(interest) coupon**

Amount of yield to be paid per bond: **RUR 45.82 per bond for each coupon period**

Total amount of yield to be paid on all bonds within the issue: **RUR 91,640,000 for each coupon period**

Terms of coupon payments:

Coupon yield on the 1st coupon to be paid on the 182nd day since the start date of the bonds placement – October 20, 2005.

Coupon yield on the 2nd coupon to be paid on the 364th day since the start date of the bonds placement – April 20, 2006.

Coupon yield on the 3^d coupon to be paid on the 546th day since the start date of the bonds placement – October 19, 2006.

Coupon yield on the 4th coupon to be paid on the 728th day since the start date of the bonds placement – April 19, 2007.

Coupon yield on the 5th coupon to be paid on the 910th day since the start date of the bonds placement – October 18, 2007.

Coupon yield on the last 6th coupon to be paid on the day of the bond issue redemption on the 1092nd day since the start date of the bonds placement – April 17, 2008.

Period for which the yield on the bond issue was paid: **since April 21, 2005 up to October 20, 2005**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 91,640,000**

Period for which the yield on the bond issue was paid: **since October 21, 2005 up to April 20, 2006**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 91,640,000**

Period for which the yield on the bond issue was paid: **since April 21, 2006 up to October 19, 2006**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 91,640,000**

Period for which the yield on the bond issue was paid: **since October 20, 2006 up to April 19, 2007**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 91,640,000**

Interest on the bond issue was paid out in full.

5. Category of securities: **bonds**

Series and form of the bonds: **documentary bearer bonds of 06 series**

State registration number and the date of the state registration: **#4-09-00175-A dd. November 3, 2005**

Date of the state registration of the Bond Placement Report: **December 29, 2005**

Amount of bonds within the issue: **2,000,000**

Bond par value: **RUR 1,000**

Total par value of the bond issue: **RUR 2,000,000,000**

Type of yield paid on the bonds: **(interest) coupon**

Amount of yield to be paid per bond: **RUR 40.89 per bond for each coupon period**

Total amount of yield to be paid on all bonds within the issue: **RUR 81,780,000 for each coupon period**

Terms of coupon payments:

Coupon yield on the 1st coupon to be paid on the 182nd day since the start date of the bonds placement – May 25, 2006.

Coupon yield on the 2nd coupon to be paid on the 364th day since the start date of the bonds placement – November 23, 2006.

Coupon yield on the 3^d coupon to be paid on the 546th day since the start date of the bonds placement – May 24, 2007.

Coupon yield on the 4th coupon to be paid on the 728th day since the start date of the bonds placement – November 22, 2007.

Coupon yield on the 5th coupon to be paid on the 910th day since the start date of the bonds placement – May 22, 2008.

Coupon yield on the 6th coupon to be paid on the 1 092nd day since the start date of the bonds placement – November 20, 2008.

Coupon yield on the 7th coupon to be paid on the 1 274th day since the start date of the bonds placement – May 21, 2009.

Coupon yield on the 8th coupon to be paid on the 1 456th day since the start date of the bonds

placement – November 19, 2009.

Coupon yield on the 9th coupon to be paid on the 1 638th day since the start date of the bonds placement – May 20, 2010.

Coupon yield on the 10th coupon to be paid on the 1 820th day since the start date of the bonds placement – November 18, 2010.

Coupon yield on the 11th coupon to be paid on the 2 002nd day since the start date of the bonds placement – May 19, 2011.

Coupon yield on the 12th coupon to be paid on the 2 184th day since the start date of the bonds placement – November 17, 2011.

Period for which the yield on the bond issue was paid: *since November 24, 2005 up to May 25, 2006*
Total amount of yield paid out on all bonds of the issue for the period stated: *RUR 81,780,000*

Period for which the yield on the bond issue was paid: *since May 26, 2006 up to November 23, 2006*
Total amount of yield paid out on all bonds of the issue for the period stated: *RUR 81,780,000*

Period for which the yield on the bond issue was paid: *since November 24, 2006 up to May 24, 2007*
Total amount of yield paid out on all bonds of the issue for the period stated: *RUR 81,780,000*

Interest on the bond issue was paid out in full.

6. Category of securities: ***bonds***

Series and form of the bonds: ***documentary bearer bonds of 07 series***

State registration number and the date of the state registration: # ***4-10-00175-A dd. November 3, 2005***

Date of the state registration of the Bond Placement Report: ***May 16, 2006***

Amount of bonds within the issue: ***3,000,000***

Bond par value: ***RUR 1,000***

Total par value of the bond issue: ***RUR 3,000,000,000***

Type of yield paid on the bonds: ***(interest) coupon***

Amount of yield to be paid per bond: ***RUR 41.88 per bond for each coupon period***

Total amount of yield to be paid on all bonds within the issue: ***RUR 125,640,000 for each coupon period***

Terms of coupon payments:

Coupon yield on the 1st coupon to be paid on the 182nd day since the start date of the bonds placement – September 19, 2006.

Coupon yield on the 2nd coupon to be paid on the 364th day since the start date of the bonds placement – March 20, 2007.

Coupon yield on the 3^d coupon to be paid on the 546th day since the start date of the bonds placement – September 18, 2007.

Coupon yield on the 4th coupon to be paid on the 728th day since the start date of the bonds placement – March 18, 2008.

Coupon yield on the 5th coupon to be paid on the 910th day since the start date of the bonds placement – September 16, 2008.

Coupon yield on the 6th coupon to be paid on the 1 092nd day since the start date of the bonds placement – March 17, 2009.

Coupon yield on the 7th coupon to be paid on the 1 274th day since the start date of the bonds placement – September 15, 2009.

Coupon yield on the 8th coupon to be paid on the 1 456th day since the start date of the bonds placement – March 16, 2010.

Coupon yield on the 9th coupon to be paid on the 1 638th day since the start date of the bonds placement – September 14, 2010.

Coupon yield on the 10th coupon to be paid on the 1 820th day since the start date of the bonds placement – March 15, 2011.

Coupon yield on the 11th coupon to be paid on the 2 002nd day since the start date of the bonds placement – September 13, 2011.

Coupon yield on the 12th coupon to be paid on the 2 184th day since the start date of the bonds placement – March 13, 2012.

Period for which the yield on the bond issue was paid: ***since March 21, 2006 up to September 19, 2006***

Total amount of yield paid out on all bonds of the issue for the period stated: ***RUR 125,640,000***

Period for which the yield on the bond issue was paid: **since September 20, 2006 up to March 20, 2007**

Total amount of yield paid out on all bonds of the issue for the period stated: **RUR 125,640,000**

Interest on the bond issue was paid out in full.

8.10. Miscellaneous

Other information on the Issuer and its securities subject to disclosure pursuant to the provisions of the Federal Law "On Securities Market" or other Federal Laws: ***there is no other information.***

ANNEX 1. Financial Statements of the Issuer as of the 2nd quarter 2007 according to the Russian Accounting Standards *

Translation from Russian

Balance Sheet as of June 30, 2007

Prepared in accordance with Russian Accounting Standards

	At the beginning of the period, RUR thnd	At the end of the period, RUR thnd
NON-CURRENT ASSETS		
Intangible assets	3 781	3 031
Fixed assets	40 546 869	39 483 966
Capital investments	544 514	2 413 237
Income-generating investment in material valuables		
Long-term financial investments	359 699	43 555
Deferred tax asset	170 690	105 749
Other non-current assets	2 571 337	3 072 455
Total non-current assets	44 196 890	45 121 993
CURRENT ASSETS		
Inventories	955 520	816 198
VAT on goods purchased	516 809	409 825
Accounts receivable, incl.		
<i>due after 12 months since the reporting date</i>	288 721	228 268
<i>due within 12 months since the reporting date</i>	3 198 197	3 870 537
Short-term financial investments	72 056	
Cash and cash equivalents	640 092	233 135
Other current assets	2 129	15 538
Total current assets	5 673 524	5 573 501
TOTAL ASSETS	49 870 414	50 695 494
CAPITAL AND RESERVES		
Charter capital	4 816 167	4 816 167
Paid-in-excess capital	4 814 119	4 774 428
Reserve capital	240 808	240 808
Retained earnings (losses) of the previous years	8 676 010	7 977 741
Retained earnings (losses) of the reporting year	X	2 250 519
Total capital and reserves	18 547 104	20 059 663
NON-CURRENT LIABILITIES		
Borrowings	17 247 658	11 920 798
Deferred tax liabilities	1 961 688	2 230 842
Other non-current liabilities	941 085	646 743
Total non-current liabilities	20 150 431	14 798 383
CURRENT LIABILITIES		

* *Attached financial statements are not aimed at representation of the Company's financial state and business activities' results in accordance with the principles and methods of accounting accepted in the countries and territories other than the Russian Federation. Therefore, the attached financial statements are inappropriate for the persons unfamiliar with the principles, procedures and methods of accounting accepted in the Russian Federation and are given for general review.*

Borrowings	5 229 221	8 829 799
Accounts payable	5 097 953	5 754 190
Dividends payable	30 105	764 521
Income of future periods	87 174	88 344
Reserves for future expenses and payments	669 102	368 509
Other current liabilities	59 324	32 085
Total current liabilities	11 172 879	15 837 448
TOTAL EQUITY AND LIABILITY	49 870 414	50 695 494

Translation from Russian

Profit and Loss Statement as of June 30, 2007

Prepared in accordance with Russian
Accounting Standards

	For the reporting period, RUR thnd	For the similar period of the last year, RUR thnd
Income and expenses from main activities		
Net sales of goods, products, work, services (minus VAT, excise duties and similar obligatory payments)	18 979 195	15 620 830
Including sales of telecommunications services	18 028 217	14 872 172
Cost of goods, products, work, services sold	(14 222 161)	(11 476 555)
Including costs of telecommunications services	(13 631 651)	(10 975 557)
Profit (loss) from sales of goods (work, services)	4 757 034	4 144 275
Interest receivable	14 519	9 639
Interest payable	(905 547)	(1 046 510)
Income from stakes in other companies	93	1 930
Other income	1 076 437	266 841
Other expenses	(1 688 139)	(1 163 971)
Profit (loss) for the reporting period	3 254 397	2 212 204
Profit tax and other deductions	(1 003 878)	(640 797)
Net profit	2 250 519	1 571 407

**ANNEX 2. Consolidated Financial Statements of OJSC
'Uralsvyazinform' as of the year ended December 31, 2006, compiled in
accordance with International Financial Reporting Standards**

*To see the Financial Statements please click twice at the icon "Acrobat Document". To review
the document you will need Adobe Reader (<http://www.adobe.com/products/acrobat/readstep2.html>).*



**Open Joint Stock Company
“Uralsvyazinform”**

Consolidated Financial Statements

*For the year ended December 31, 2006
with Independent Auditor’s Report*

OJSC “Uralsvyazinform”
Consolidated Financial Statements
For the year ended December 31, 2006

Contents

Independent Auditors’ Report	1
Consolidated Financial Statements	
Consolidated Balance Sheet	2
Consolidated Income Statement	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Changes in Equity	6
Notes to Consolidated Financial Statements	7

Independent Auditors' Report

To the Shareholders and Board of Directors of OJSC "Uralsvyazinform"

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Uralsvyazinform" and its subsidiaries (hereinafter "the Company"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

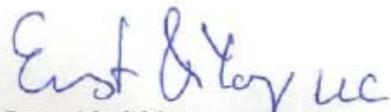
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2006, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



June 18, 2007

OJSC “Uralsvyazinform”
 Consolidated Balance Sheet
 As of December 31, 2006
 (in thousands of Russian Roubles)

	Notes	2006	2005 as restated (see Note 2)
ASSETS			
Non-current assets			
Property, plant and equipment	6	45,835,539	43,491,369
Intangible assets and goodwill	7	2,398,764	1,745,317
Investments in associates	11	418,808	417,056
Long-term investments	12	38,808	41,084
Long-term accounts receivable and other financial assets	13	276,860	396,618
Long-term advances given	14	253,859	449,785
Total non-current assets		49,222,638	46,541,229
Current assets			
Inventories	15	496,664	740,252
Accounts receivable	16	2,266,827	1,813,575
Prepaid income tax		238,788	103,043
Other current assets	17	1,379,833	2,774,891
Cash and cash equivalents	18	645,574	487,473
Total current assets		5,027,686	5,919,234
Assets of disposal group classified as held for sale	10	257,331	–
TOTAL ASSETS		54,507,655	52,460,463
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	20	8,749,303	8,749,303
Unrealized gain on available-for-sale investments		4,171	1,479
Retained earnings		11,409,502	11,318,740
Total equity attributable to equity holders of the parent		20,162,976	20,069,522
Minority interest		–	11,317
Total equity		20,162,976	20,080,839
Non-current liabilities			
Long-term borrowings	21	17,074,736	14,664,764
Long-term finance lease obligations	22	1,753,358	1,479,877
Pension liabilities	25	1,549,837	824,929
Deferred revenue		80,380	87,101
Deferred income tax liability	30	2,336,229	2,457,728
Other non-current liabilities		–	255,970
Total non-current liabilities		22,794,540	19,770,369
Current liabilities			
Accounts payable, accrued expenses and advances received	23	3,904,041	3,413,550
Payables to Rostelecom	35	48,494	153,388
Income tax payable		–	4,093
Other taxes payable	24	431,174	993,831
Dividends payable		30,105	29,280
Short-term borrowings	21	1,265,201	1,817,077
Current portion of long-term borrowings	21	4,729,982	5,411,797
Current portion of long-term finance lease obligations	22	1,012,698	786,239
Total current liabilities		11,421,695	12,609,255
Liabilities of disposal group classified as held for sale	10	128,444	–
Total liabilities		34,344,679	32,379,624
TOTAL EQUITY AND LIABILITIES		54,507,655	52,460,463

Chief Executive Officer _____ Ufimkin A.Y.

Chief Accountant _____ Balueva S.I.

The accompanying notes form an integral part of these consolidated financial statements.

OJSC “Uralsvyazinform”
Consolidated Income Statement
For the year ended December 31, 2006
(in thousands of Russian Roubles, except per share amounts)

	Notes	2006	2005 as restated (see Note 2)
Revenues	26	33,925,040	31,709,872
Wages, salaries, other benefits and payroll taxes		(10,280,176)	(8,769,887)
Depreciation and amortization	6,7	(5,581,931)	(4,346,589)
Materials, repairs and maintenance, utilities		(3,083,287)	(2,530,017)
Taxes other than income tax		(906,508)	(756,252)
Interconnection Charges – International Companies		(127,272)	(88,691)
Interconnection Charges – Russian Companies		(3,480,466)	(4,524,048)
Recovery of impairment of receivables	16	29,863	61,002
Loss on disposal of property, plant, and equipment		(196,890)	(224,632)
Agency fees		(1,651,968)	(1,423,499)
Lease of premises		(558,714)	(654,747)
Advertising		(500,867)	(476,227)
Fire insurance and other security services		(486,052)	(411,375)
Property insurance		(336,838)	(337,872)
Other operating expenses	27	(2,994,745)	(2,307,670)
Operating profit		3,769,189	4,919,368
Share of result of associates, net	11	1,789	6,499
Interest expense, net	28	(2,490,594)	(2,142,884)
Gain (loss) on sale of subsidiaries, associates and other investments	29	25,866	(13,396)
Foreign exchange gain, net		20,544	80,229
Profit before income tax		1,326,794	2,849,816
Income tax expense	30	(497,027)	(932,757)
Profit for the year		829,767	1,917,059
Attributable to:			
Equity holders of the parent		828,719	1,902,961
Minority interests		1,048	14,098
Earnings per share			
basic and diluted, for profit for the year attributable to equity holders of the parent	31	0.021	0.047

The accompanying notes form an integral part of these consolidated financial statements.

OJSC “Uralsvyazinform”
Consolidated Cash Flow Statement
For the year ended December 31, 2006
(in thousands of Russian Roubles)

	Notes	2006	2005 as restated (see Note 2)
Cash flows from operating activities:			
Profit before income tax		1,326,794	2,849,816
Adjustments for:			
Foreign exchange gain, net		(20,544)	(80,229)
Depreciation and amortization	6,7	5,581,931	4,346,589
Loss on disposal of property, plant and equipment		196,890	224,632
Share of result of associates, net	11	(1,789)	(6,499)
(Gain) loss on sale of subsidiaries, associates and other investments	29	(25,866)	13,396
Interest expense, net	28	2,490,594	2,142,884
Recovery of impairment of receivables	16	(29,863)	(61,002)
Provision for obsolescence of inventory		11,595	148
Operating cash flows before working capital changes		9,529,742	9,429,735
Decrease (increase) in accounts receivable		(435,661)	193,002
Decrease (increase) in other current assets		1,141,260	(187,450)
Decrease (increase) in inventories		227,147	331,514
(Decrease) increase in accounts payable and accrued expenses		1,104,474	(70,071)
(Decrease) increase in taxes payable other than income tax		(554,695)	128,014
Increase in pension obligations		724,908	227,055
Cash flows generated from operations		11,737,175	10,051,799
Interest paid		(2,660,463)	(2,342,756)
Income tax paid		(796,137)	(893,787)
Net cash flows from operating activities		8,280,575	6,815,256
Cash flows from investing activities:			
Purchase of property, plant and equipment		(5,731,115)	(8,112,200)
Purchase of intangible assets		(451,139)	(47,365)
Purchase of Oracle E-Business Suite software		(241,795)	(169,425)
Purchase of Amdocs Billing software		(465,809)	(83,559)
Purchase of shares in subsidiaries and associates, net of cash acquired		–	(70,891)
Disposal of shares in subsidiaries and associates, net of cash disposed		(80,137)	313
(Proceeds) purchase from disposal of investments and other financial assets		2,072	(12,429)
Proceeds from sales of property, plant and equipment		128,510	57,199
Interest received		77,541	84,965
Dividends received		1,227	1,244
Net cash flows used in investing activities		(6,760,645)	(8,352,148)

The accompanying notes form an integral part of these consolidated financial statements.

OJSC “Uralsvyazinform”
Consolidated Cash Flow Statement
For the year ended December 31, 2006 (continued)
(in thousands of Russian Roubles)

	Notes	2006	2005 as restated (see Note 2)
Cash flows from financing activities:			
Proceeds from sales of treasury shares		–	1,124
Proceeds from borrowings		9,511,917	8,694,510
Repayment of borrowings		(7,090,722)	(6,776,280)
Proceeds from debt securities issued		3,000,000	4,000,000
Repayment of debt securities		(3,087,908)	(1,141,461)
Repayment of finance lease obligations		(848,222)	(408,310)
Repayment of vendor financing obligations		(1,473,691)	(2,467,721)
Proceeds from promissory notes		100,000	400,000
Repayment of promissory notes		(804,698)	(470,260)
Proceeds (repayment) from other non-current liabilities		(2,315)	18,304
Dividends paid to equity holders of the parent		(666,128)	(618,432)
Dividends paid to minority		(346)	(46)
Net cash flows from financing activities		(1,362,113)	1,231,428
Exchange rates effect on cash		284	2,988
Net increase (decrease) in cash and cash equivalents		158,101	(302,476)
Cash and cash equivalents at the beginning of the year		487,473	789,949
Cash and cash equivalents at the end of the year		645,574	487,473

The accompanying notes form an integral part of these consolidated financial statements.

OJSC “Uralsvyazinform”
Consolidated Statement of Changes in Equity
For the year ended December 31, 2006
(in thousands of Russian Roubles)

	Notes	Share capital			Retained earnings	Unrealized gain on available-for-sale investments	Total	Minority interests	Total equity
		Preference shares (see Note 20)	Ordinary shares (see Note 20)	Treasury shares (see Note 20)					
Balance at December 31, 2004 (restated)	2	1,708,222	7,041,081	(1,117)	10,093,618	–	18,841,804	3,127	18,844,931
Profit for year (restated)	2	–	–	–	1,902,961	–	1,902,961	14,098	1,917,059
Dividends to the equity holders of parent		–	–	–	(696,836)	–	(696,836)	–	(696,836)
Unrealized gain on available-for-sale investment		–	–	–	–	1,479	1,479	–	1,479
Minority interests arising on acquisition of subsidiary		–	–	–	–	–	–	1,137	1,137
Disposal of minority interest due to disposal of subsidiaries		–	–	–	–	–	–	(7,000)	(7,000)
Sale of treasury shares		–	–	1,117	8	–	1,125	–	1,125
Dividends of subsidiaries to minority shareholders		–	–	–	–	–	–	(45)	(45)
Revaluation surplus related to the acquisition of additional shares		–	–	–	18,989	–	18,989	–	18,989
Balance at 31 December 2005 (restated)	2	1,708,222	7,041,081	–	11,318,740	1,479	20,069,522	11,317	20,080,839
Profit for year		–	–	–	828,719	–	828,719	1,048	829,767
Dividends to the equity holders of parent	32	–	–	–	(737,957)	–	(737,957)	–	(737,957)
Unrealized gain on available-for-sale investment		–	–	–	–	2,692	2,692	–	2,692
Disposal of minority interest due to disposal of subsidiaries		–	–	–	–	–	–	(12,019)	(12,019)
Dividends of subsidiaries to minority shareholders		–	–	–	–	–	–	(346)	(346)
Balance at December 31, 2006		1,708,222	7,041,081	–	11,409,502	4,171	20,162,976	–	20,162,976

The accompanying notes form an integral part of these consolidated financial statements.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2006

(in thousands of Russian Roubles)

1. General Information

Authorization of Accounts

The consolidated financial statements of OJSC “Uralsvyazinform” and its subsidiaries (hereinafter “the Company”) for the year ended December 31, 2006 were authorized for issue by the Chief Executive Officer and the Chief Accountant of the Company on June, 15 2007.

The Company

The parent company, OJSC “Uralsvyazinform” (the “Parent” or “Uralsvyazinform”) was incorporated as an open joint stock company in the Russian Federation.

The registered office of Uralsvyazinform is in the city of Ekaterinburg (the Russian Federation), Moskovskaya Str., 11.

The Company’s principal activity is providing telephone services (including local, domestic long-distance and international long-distance calls), telegraph, data transmission services, rent of communication channels and wireless communication services on the territory of the Urals region of the Russian Federation.

As of December 31, 2006, the Government of the Russian Federation controlled indirectly 51% of the voting share capital of Uralsvyazinform, by virtue of its 75% less one share direct holding in OJSC “Svyazinvest” (hereafter “Svyazinvest”), the parent company of Uralsvyazinform.

Principal subsidiaries are disclosed in Note 9. All subsidiaries are incorporated under the laws of the Russian Federation, unless otherwise stated.

Presentation of Financial Statements

The consolidated financial statements of the Company are prepared on the basis of financial statements of Uralsvyazinform and its subsidiaries and associates prepared under unified accounting policy.

The measurement and presentation currency of the Company is the Russian Rouble, which is the national currency of the Russian Federation.

The consolidated financial statements of the Company are presented in thousands of Russian Roubles.

Liquidity and Financial Resources

During 2003 and 2004, the Company significantly enhanced its telecommunication network and acquired telecommunication equipment. Financing primarily came in the form of short-term bank loans, bonds, mid-term vendor financing and finance leases. As a result, the Company’s short and long-term debts increased significantly.

In 2005 the Company developed and started to execute the plan for decreasing the working capital deficit which comprised:

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

1. General Information (continued)

Liquidity and Financial Resources (continued)

- Negotiations with the banks to replace certain short-term bank loans and bank promissory notes by the long term bank loans;
- Refinancing the bank loans to decrease the interest rates;
- Cost cutting program;
- Negotiations with contractors to decrease the costs of capital construction and extend the period of payment.

As of December 31, 2006, the Company’s current liabilities exceeded its current assets by 6,394,009 (December 31, 2005 – 6,690,021).

During 2007 the Company expects to finance its activities by cash generated from operations and financing obtained from domestic and international lending institutions. Management believes that operational cash flows and financing secured as of the date of these financial statements are adequate to repay the borrowings when they are due in the year 2007.

2. Basis of Presentation of the Financial Statements

Basis of Accounting

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements are prepared on the basis of the statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation with adjustments, reclassifications, consolidation entries and intercompany eliminations recorded for the purpose of fair presentation of ending balances, results of operations and cash flows in accordance with IFRS.

These financial statements have been presented on a going concern basis, which implies the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments related to the recoverability and classification of the recorded asset amount or any other adjustments that might be required if the Company either be unable to continue as a going concern or if the Company were to dispose of assets outside the normal course of its operating plan.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The Company has applied an exemption permitted by IFRS 1 which allows an entity to measure property, plant, and equipment at the date of transition to IFRS at fair value and use that fair value as deemed cost. The Company has also applied the exemption permitted by IFRS 1 which allows an entity to recognize all cumulative actuarial gains and losses on employees defined benefit plans at the date of transition even if the corridor approach is used for latter actuarial gains and losses.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

2. Basis of Presentation of the Financial Statements (continued)

Basis of Accounting (continued)

The Company has transitioned to IFRS as of January 1, 2003 using the provisions of IFRS 1, “First-time Adoption of International Financial Reporting Standards”.

The Russian economy was considered hyperinflationary until January 1, 2003. As such, the Company applied IAS 29 “Financial Reporting in Hyperinflationary Economies” by restating non-monetary items, including components of equity (except for the property, plant and equipment, for which fair values as at January 1, 2003 have been used as deemed cost) to the measuring units current at January 1, 2003 by applying the relevant inflation indices to the historical cost. These restated values were used as a basis for accounting in the subsequent periods.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted those new/revised standards and interpretations mandatory for financial years beginning on or after January 1, 2006.

The changes in accounting policies result from adoption of the following new or amended standards and interpretations:

- IFRS 6 “Exploration for and Evaluation of Mineral Resources”;
- IAS 19 (amended 2005) “Employee benefits”;
- IAS 21 (amended 2005) “The Effects of Changes in Foreign Exchange Rates”;
- IAS 39 (amended 2005) “Financial Instruments: Recognition and Measurement”
- IFRIC 4 “Determining whether an Arrangement contains a Lease”;
- IFRIC 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”.

The principal effects of these changes in policies are discussed below.

IAS 19 (amended 2005) “Employee benefits”

As of January 1, 2006, the Company adopted the amendments to IAS 19. As a result, additional disclosures are made providing information about trends in the assets and liabilities in the defined benefit plans. This change has resulted in additional disclosures being included for the years ending December 31, 2006 and December 31, 2005 but has not had a recognition or measurement impact, as the Company chose not to apply the new option offered to recognize actuarial gains and losses outside of the income statement.

IAS 39 (amended 2005) “Financial Instruments: Recognition and Measurement”

The amendment to IAS 39 in 2005:

- required to include financial guarantee contracts issued;
- permitted the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements;
- restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss.

These amendments did not have an effect on the Company’s financial statements.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

2. Basis of Presentation of the Financial Statements (continued)

Changes in Accounting Policies (continued)

IFRIC 4 “Determining whether an Arrangement contains a Lease”

IFRIC 4 provides guidance for determining whether arrangements are, or contain, leases that should be accounted for in accordance with IAS 17, if the arrangements comprise a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. The adoption of this IFRIC Interpretation as of 1 January 2006 has not had a significant impact on the Company as at December 31, 2006 or December 31, 2005.

IFRIC 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”

IFRIC 5 explains how to treat expected reimbursements from funds set up to meet the costs of decommissioning assets or in undertaking environmental restoration or rehabilitation. As the Company does not currently operate in a country where such funds exist, this interpretation has had no impact on the financial statements.

IFRSs and IFRIC Interpretations Not Yet Effective

The Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IFRS 7 “Financial Instruments: Disclosures”;
- IAS 1 (amended 2005) “Presentation of Financial Statements – Capital Disclosures”;
- IFRIC 8 “Scope of IFRS 2”;
- IFRIC 9 “Reassessment of Embedded Derivatives”;
- IFRIC 10 “Interim Financial Reporting and Impairment”;
- IFRIC 11 “IFRS 2 - Group and Treasury Share Transactions”.

IFRS 7 “Financial Instruments: Disclosures” replaces the disclosure requirements of IAS 32 and must be applied for annual reporting periods that commence on or after January 1, 2007.

The amendment of IAS 1 “Presentation of Financial Statements – Capital Disclosures” requires disclosures regarding an entity’s objectives, policies and processes for managing capital. The provisions are effective for reporting periods beginning on or after January 1, 2007.

IFRIC 8 clarifies that IFRS 2 applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. If the identifiable consideration given appears to be less than the fair value of the equity instrument granted, under IFRIC 8 this situation typically indicates that other consideration has been or will be received. IFRS 2 therefore applies. IFRIC 8 becomes effective for financial years beginning on or after May 1, 2006.

IFRIC 9 clarifies, that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. An entity shall apply this interpretation for annual periods beginning on or after June 1, 2006.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

2. Basis of Presentation of the Financial Statements (continued)

IFRSs and IFRIC Interpretations Not Yet Effective (continued)

Applying IFRIC 10, an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. An entity shall apply this interpretation for annual periods beginning on or after November 1, 2006.

IFRIC 11 addresses the issues whether certain transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2, and concerns the accounting treatment for share-based payment arrangements that involve two or more entities within the same group. An entity shall apply this interpretation for annual periods beginning on or after March 1, 2007.

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company’s result of operation and financial positions in the period of initial application. The adoption of IFRS 7 will significantly affect the disclosures relating to financial instruments as presented in the notes to the financial statements.

Restatement of Prior Period Financial Statements

Fair Value of Property, Plant and Equipment

The Company has transitioned to IFRS as of January 1, 2003 using the provisions of IFRS 1, “First-time Adoption of International Financial Reporting Standards”. The Company has applied an exemption permitted by IFRS 1, which allows an entity to measure property, plant and equipment at the date of transition to IFRS at fair value and use that fair value as deemed cost. Management estimated that the carrying value of all of the Company’s property, plant and equipment was broadly comparable to their fair values. However, management engaged an independent appraiser to support these fair values. Independent appraiser finalized valuation in 2006.

As a result, the reported carrying amount of property, plant and equipment was adjusted in accordance with the information provided by independent appraiser (see Note 6). The Company made the following corrections to 2005 financial statements to present the property, plant and equipment at fair value and to correct deferred income tax liabilities and deferred tax expense due to fair value adjustments:

Consolidated balance sheet as of December 31, 2005	As previously reported	Corrections of errors	As restated	Description of adjustments made
Property, plant and equipment	45,322,606	(1,831,237)	43,491,369	To book property, plant and equipment at fair value
Deferred income tax liability	(2,897,225)	439,497	(2,457,728)	Effect on deferred income tax due to fair value adjustment
Consolidated Income Statement for the year ended December 31, 2005				
Depreciation and amortization	(3,919,072)	(427,517)	(4,346,589)	To correct depreciation expense due to fair value adjustment
Loss on disposal of property, plant, and equipment	(52,865)	(171,767)	(224,632)	To correct loss on disposal of property, plant, and equipment due to fair value adjustment
Other operating expenses	(2,686,487)	378,817	(2,307,670)	To correct other operating expenses due to fair value adjustment, including reclassification to the property insurance expenses in amount of 337,872.
Income tax expense	(1,066,758)	134,001	(932,757)	Effect on deferred income tax due to fair value adjustment

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

2. Basis of Presentation of the Financial Statements (continued)

The Company reported the effect of correction of errors by adjusting the opening balance of retained earnings for 2005 where errors were attributable to periods prior to 2005; net profit for 2005 to reflect the effect of subsequent recognition of errors as well as respective consolidated balance sheet, consolidated income statement and consolidated cash flow statement.

Reclassifications

The Company made the following reclassifications to the 2005 financial statements to conform to the 2006 presentation:

	<u>As previously reported</u>	<u>Reclassifications</u>	<u>As restated</u>	<u>Description of reclassifications made</u>
Consolidated balance sheet as of December 31, 2005				
Short-term investment	289	(289)	–	Reclassification to other current assets
Long term accounts receivable and other financial assets	386,809	9,809	396,618	Reclassification of input VAT related to capital construction
Property insurance	–	(337,872)	(337,872)	Reclassification of property insurance from other operating expenses into the separate line in the consolidated income statement
Other current assets	2,784,411	(9,520)	2,774,891	Reclassification of input VAT related to capital construction

2.2. Foreign Currency Transactions

The measurement and presentation currency of the Company is the Russian Rouble, which is the national currency of the Russian Federation. Transactions in foreign currencies are initially recorded in the measurement currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the measurement currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to the consolidated income statement as foreign exchange gains (losses). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

Assets and liabilities settled in Roubles but denominated in foreign currencies are recorded in the Company’s consolidated financial statements using the same principles as for assets and liabilities denominated in foreign currencies.

The exchange rates as of December 31 were as follows:

Currency	<u>2006</u>	<u>2005</u>
Russian Roubles per US dollar	26.33	28.78
Russian Roubles per Euro	34.70	34.19

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies

3.1 Principles of Consolidation

The consolidated financial statements of the Company represent the financial statements of the Group of companies, i.e. the parent and its subsidiaries, presented as if the Company operated as a single economic entity.

Subsidiaries

Subsidiaries, which are the entities in which the Company has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains on transactions between the Company's companies are eliminated; unrealized losses are also eliminated unless a transaction provides evidence of an impairment of the asset transferred. In case of necessity, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

Acquisition of Subsidiaries

The Company accounts for acquisition of subsidiaries using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the fair value of the Company's share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Company's share of identifiable net assets of the subsidiary acquired the difference is recognized directly in the income statement.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Company.

Acquisition of Minority Interest in Subsidiaries

The difference between the cost of additional interest in a subsidiary and the minority interest's share of assets and liabilities is reflected in the consolidated statement of shareholders' equity at the date of the purchase of minority interest as a charge to retained earnings. The Company does not remeasure the assets and liabilities of the subsidiary to reflect their fair values at the date of acquisition of minority interest.

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to retained earnings.

Investments in Associates

Associates are entities in which the Company generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognized at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Company's share of net assets of the associate. The Company's share of its associates' profits or losses is recognized in the income statement, and its share of movements in reserves is recognized in equity. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless the Company is obliged to make further payments to, or on behalf of, the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.2 Investments and Other Financial Assets

The Company’s investments are classified as either loans and receivables or available-for-sale investments, as appropriate. When investments are recognized initially, they are measured at fair value plus, in the case of investments not recognized at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its investments after initial recognition. All purchases and sales of investments are recognized on the settlement date, which is the date that the investment is delivered to or by the Company.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. During the period presented the Company did not hold any investments in this category.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity upon initial recognition designates as available for sale or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. Reversals of impairment losses in respect of equity instruments are not recognized in the consolidated income statement. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.3 Accounting Policies, Changes in Accounting Estimates and Errors

Change in Accounting Policies

The Company changes an accounting policy only if the change is required by a Standard or an Interpretation of IFRS or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Company’s financial position, financial performance or cash flows.

The Company accounts for a change in accounting policy resulting from the initial application of a Standard or an Interpretation in accordance with the specific transitional provisions, if any, in that Standard or Interpretation.

Changes in Accounting Estimates

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgments based on the latest available, reliable information. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only or the period of the change and future periods, if the change affects both.

Prior Period Errors

The Company corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for the prior period presented in which the error occurred or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

3.4 Property, Plant and Equipment

3.4.1 Property, Plant and Equipment

Property, plant and equipment are recorded at purchase or construction cost, excluding day-to-day servicing, less accumulated depreciation and accumulated impairment in value. For the property, plant and equipment acquired prior to January 1, 2003, fair value as at January 1, 2003 have been used as deemed cost (see Note 2) in accordance with the exemption provided by IFRS 1. The carrying values of that property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is greater of net selling price and value in use. Impairment losses are recognized in the income statement.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Expenditure for continuing repairs and maintenance are charged to the consolidated income statement as incurred. Social assets are expensed on acquisition. Major renewals and improvements are capitalized, and the assets replaced are retired.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.4 Property, Plant and Equipment (continued)

3.4.2 Depreciation and Useful Life

Depreciation is calculated on property, plant and equipment on a straight-line basis from the time the assets are available for use, over their estimated useful lives as follows:

Buildings and Constructions	50 years
Analog switches	20 years
Digital switches	15 years
Other telecommunication equipment	10 years
Transportation equipment	5 years
Computers, office and other equipment	3 years
Land	not depreciated

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier than the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognized.

The depreciation charge for a period is usually recognized in the consolidated income statement. Sometimes, however, the future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount.

The validity of the Company's operating licenses is significantly shorter than the useful lives used for the depreciation property, plant and equipment. Based on the Russian licensing legislation and prior experience, management believes that the operating licenses will be renewed without significant cost, which would allow the Company to realize the cost of its property, plant and equipment through normal operations.

3.4.3 Construction in Progress

Construction in progress is recorded as the total of actual expenditures incurred by the Company from the beginning of construction to the reporting date less any impairment in value.

3.5 Intangible Assets

3.5.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of acquisition. Goodwill on an acquisition of a subsidiary is included in intangible assets. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.5 Intangible Assets (continued)

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and
- is not larger than a segment based on either the Company’s primary or the Company’s secondary reporting format determined in accordance with IAS 14 “Segment Reporting”.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognized for goodwill is not reversed in subsequent periods.

3.5.2 Licenses

License costs represent either an allocation of the purchase price to licenses acquired in business combinations or the payments made to government organizations to receive the licenses. License costs are capitalized and amortized on a straight-line basis over their expected useful lives from the date operations commenced in the license area.

The Company recognized the cost of GSM licenses at fair value as at transition to the IFRS date.

Following initial recognition, licenses are carried at cost less any accumulated amortisation and any accumulated impairment losses.

3.5.3 Software and Other Intangible Assets

Software and other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.5 Intangible Assets (continued)

3.5.4 Useful Life and Amortization of Intangible Assets

The Company assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Intangible assets with finite lives are amortized over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each financial yearend. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The cost of licenses and software is depreciated on a straight-line basis over the estimated useful life equal to the term of the licenses or the right to use the software. The useful life of other intangible assets is approximately ten years.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

3.6 Borrowing Costs

The borrowing costs are capitalized by the Company as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs are directly attributable to the acquisition, construction or production of a qualifying asset including construction in progress.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.7 Leases

Leases where all the risks and rewards of ownership of the asset are transferred from lessor to lessee are classified as finance leases.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

The Company acted as a lessee under the finance and operating leases.

3.7.1 Finance Leases

At the commencement of the lease term, or the date from which the lessee is entitled to exercise its right to use the leased asset, the Company recognizes finance leases as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the asset and the liability for the future lease payments are recognized in the balance sheet at the same amounts except for any initial direct costs of the lessee that are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognized is calculated in accordance with the accounting policy of the Company applicable for depreciable and amortized assets. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

3.7.2 Operating Leases

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

3.8 Inventories

Inventories are recorded at the lower of cost and net realizable value. The cost of inventory is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventory may have to be reduced to its realizable value if it has become damaged, is wholly or partly obsolete or if its selling price has declined. The Company analyzed the evidence of these conditions at the end of the period and created a provision for obsolescence.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3.9 Advances Given

Advances given to acquire non-current assets are classified as non-current and considered non-monetary asset. Long-term advances given for operating activities are also classified as non-current asset.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets comprise cash and cash equivalents; an equity instrument of another entity; a contractual right to receive cash or some other financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Company or a contract that will or may be settled in the Company’s own equity instruments and is a non-derivative for which the Company is or may be obliged to receive a variable number of the Company’s own equity instruments, or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments. For this purpose the Company’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the Company’s own equity instruments.

Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company or a contract that will or may be settled in the Company’s own equity instruments and is a non-derivative for which the Company is or may be obliged to deliver a variable number of the Company’s own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments. For this purpose the Company’s own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity’s own equity instruments.

The Company recognizes a financial asset or a financial liability on its balance sheet when, and only when, the Company becomes a party to the contractual provisions of the instrument.

When a financial asset or financial liability is recognized initially, the Company measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Company classifies its financial assets and financial liabilities as current or non-current based on the term of its maturity taking into account other factors that limit the Company’s ability to realize assets within 12 months or the existence of call options in financial liabilities valid within 12 months after the balance sheet date.

A financial asset is derecognized when the rights to receive cash flows from the asset expired or the Company transferred its rights to receive cash flows from the asset.

Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3.11 Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in the Company’s bank accounts, as well as cash deposits and short-term investments with original maturities of three months or less.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.12 Accounts Receivable and Provision for Impairment of Receivables

Trade receivables are recognized at the original invoice amount less an allowance for any uncollectible amounts. Provision for impairment of receivables is made when there is objective evidence that the Company will not be able to collect the debts.

Provision for impairment of receivables is created on the basis of the historical pattern of collections of accounts receivable and specific analysis of recoverability of significant accounts.

Provision for impairment is also created for other accounts receivable except advances given on the basis of the assessment of the Company’s ability to collect the debts.

Provision for impairment is recognized in the consolidated income statement.

The carrying amount of current trade receivables is a reasonable approximation of their fair value.

The fair value of non-current trade receivable is calculated using the effective interest method.

3.13 Non-current Assets Held for Sale and Discontinued Operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The Company classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The Company measures a non-current asset (or disposal group) classified as held for sale at the lower amount of its carrying value and fair value less costs to sell.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with applicable IFRS standards or interpretations.

The Company presents and discloses information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

3.14 Loans Given

The loans given are recognized at the amortized cost, using the effective interest method less provision for impairment or uncollectability. The loans given are presented as the non-current assets unless the repayment is expected within 12 months after the balance sheet date.

3.15 Loans and Borrowings Received

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method; any difference between the fair value of the consideration received (net of transaction costs) and the redemption amount is recognised as an adjustment to interest expense over maturity.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.16 Employee Benefits

3.16.1 Unified Social Tax

Under Russian legislation, social contributions are made through a unified social tax (“UST”) calculated by the Company by applying a regressive rate (from 17% to 26%) to the annual gross remuneration of each employee. The Company made payments of UST to the three social funds (state pension fund, social and medical insurance funds), where the rate of contributions to the pension fund vary from 20% to 14% depending on the annual gross salary of each employee.

The Company’s contributions relating to the UST are expensed in the year to which they relate to.

3.16.2 Other Pension Plans and Post-Employment Benefits

Under collective bargaining agreements and internal regulations on additional pension benefits, the Company also provides additional benefits for its active and retired employees by using post-employment defined benefit plans. The majority of the Company’s employees are eligible to participate under such post-employment benefit plans based upon a number of factors, including years of service, age, and compensation.

Post-employment benefit plans include defined contribution plans and defined benefit plans.

A defined contribution plan is a post-employment benefit plan under which the Company's obligation is limited solely to the amount of a contribution it agrees to pay into a fund. In this case all actuarial and investment risks will be borne by employees. The Company recognizes contributions under a defined contribution plan in the period to which they are attributable.

Under defined benefit plans, the Company’s obligation is to provide the agreed benefits to current and former employees. In this case actuarial and investment risks fall on the Company.

The Company determines the present value of the defined benefit obligation and the fair value of any plan assets on each reporting date separately for each plan. The obligations are valued by professionally qualified independent actuaries hired by the Company using the projected unit credit method. The assets of the defined benefit plans are valued by professionally qualified actuaries or independent appraisers.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher amount of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Upon introduction of a new plan or improvement of an existing plan past service cost is recognized on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested immediately, past service costs is immediately expensed.

Gains or losses on the curtailment or settlement of pension benefit obligations are recognized when the curtailment or settlement occurs.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.17 Income Taxes

Tax expense (tax benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period determined in accordance with the rules established by the taxation authorities.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted on the balance sheet date.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Any such previously recognized reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted.

3.18 Shareholders' Equity

3.18.1 Share Capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity.

3.18.2 Dividends

Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared at the shareholders' meeting before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorized for issue.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.19 Minority Interest

Minority interest is the interest in subsidiaries not held by the Company. Minority interest at the balance sheet date represents the minority shareholders' portion of the fair values of identifiable assets and liabilities of the subsidiary at the acquisition date, and the minorities' portion of movements in net assets since the date of the combination. Minority interest is presented within equity, separately from the parent shareholders' equity.

3.20 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is recognized in the amount of cash or cash equivalents received in the form of cash or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an effective interest rate.

3.20.1 Revenue from Customers

The Company categorizes the revenue sources in thirteen major categories:

1. Local telephone calls;
2. Inter-regional telephone calls;
3. Services for national operators;
4. Assistance services;
5. Installation and connecting fees;
6. Documentary services;
7. Cellular services;
8. Radio and TV broadcasting;
9. Data transfer and telematic services;
10. New services;
11. Rent of telephone channels;
12. Other telecommunications services;
13. Other revenues.

Local Telephone Calls

Local telephone services depend on the duration of the telephone connection and subscription fee. If fixed payment is applied then revenue depends on the subscription fee only. Customers of the Company use the service via fixed telephones and the service could be accessed by means of pay-phones. The Company recognizes revenues related to the monthly fees for local services in the month the service is provided to the subscriber.

Inter-regional Telephone Calls

Inter-regional telephone calls include revenue received from the subscribers for fixed line inter-zone connections through the network within the Russian Federation and fixed to mobile connections.

The Company recognized the revenues from inter-regional telephone calls in the period when the services are rendered.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.20 Revenue Recognition (continued)

Services for National Operators

Services for national operators include interconnection revenues from Russian operators and charges for interconnection points, revenues received from the local and inter-zone calls termination on the Company network and on the network of interconnect operators.

The Company recognizes revenues from services for national operators in the period when the services are rendered.

Assistance Services

Revenues received under the cooperation agreement with the operators for subscriber’s interconnection to the network to make the international and intercity calls, subscriber’s invoicing, delivery of invoices issued and documentation support; charges for cash collection from the subscribers for the services rendered on behalf of the operators and charges for claim settlements with subscribers.

The Company recognizes from assistance services in the period when the services are rendered.

Installation and Connection Fees

Installation and connection fees for indefinite period contracts include the amount paid by cash and the contribution of fixed assets consisting of cable and duct, commonly referred to as the “last mile”. Revenue received in the form of cash is recognized when the installation and connection are complete. The Company recognized the fixed assets received at fair value than deferred this revenue within the useful life of the assets received and recognized the income on the same basis that the fixed assets are depreciated.

Documentary Services

Telegraph services include telegram transmissions and other wire line data transmission services. The Company recognizes revenues from documentary services in the period when the services are rendered.

Cellular Services

Cellular services include airtime services including local, intercity long distance and international long distance calls, subscription fees, value added services, outbound and inbound roaming. The Company recognizes revenues from cellular services in the period when the services are rendered.

Radio and TV Broadcasting Services

The Company provides Radio and TV broadcasting services through its wireline radio broadcasting network. The revenues comprise monthly fees from subscribers and installation fees for wireline radio sets.

The Company recognizes the revenues related to radio broadcasting and TV services in the period when the services are rendered.

Data Transfer and Telematics Services

The Company recognizes revenues related to data transfer and telematics services in the period when the services are rendered based on volume of data and subscription fees.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.20 Revenue Recognition (continued)

New Services

New services include internet services, ISDN, ADSL, IP-telephony, and intelligent network services. The Company recognizes revenues related to new services in the period when the services are rendered.

Rent of Telephone Channels

The Company rents intercity and international, digital, analogue, and telegraph channels. The Company recognizes revenues from the rent of channels monthly in the period when the services are rendered.

Other Telecommunication Services

Other telecommunication services primarily consist of services related to customers adjunction, subscribers registration and rent of direct wires and junction lines. The Company recognizes revenues related to other services in the period when the services are rendered.

Other Revenues

Other revenues primarily consist of revenues received from the sale of manufacturing of the telecommunication equipment and its technical support, transportation services, recreation services and sale of products and services provided by auxiliary units.

3.21 Earnings per Share

The Company calculates basic earnings per share for profit or loss attributable to equity holders of the parent entity and profit or loss from continuing operations attributable to those equity holders. Basic earnings per share are calculated by dividing profit or loss attributable to equity holders of the parent entity (the numerator) by the weighted average number of shares outstanding (the denominator) during the period.

The Company's preference shares are considered participating equity instruments for the purpose of earnings per share calculations (see Note 31).

3.22 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.23 Contractual Commitments

Contractual commitments comprise legally binding trading or purchase agreements with the stated amount, price and date or dates in the future.

The Company discloses significant contractual commitments in the Notes to the financial statements.

The asset or liability under contractual commitments are not recognized in the financial statement until any of the parties acts in accordance with the contract and until any of the parties became legally liable to pay or entitled to receive the payment under the terms of the contract.

3.24 Contingent Assets and Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Company does not recognize a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. The Company does not recognize contingent assets. A contingent asset is disclosed where an inflow of economic benefits is probable.

3.25 Segment Information

The Company operates in two segments: fixed line and mobile telecommunication. Management believes that the Company operates in one geographical segment on the territory of the Urals region of the Russian Federation.

Unallocated expenses, assets and liabilities are expenses, assets and liabilities that arise at the entity level and relate to the Company as a whole.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, and operating cash and exclude financial investments, income tax assets and other assets that relate to the entity as a whole. Segment liabilities primarily comprise operating liabilities, loans and leasing liabilities and exclude such items such as deferred tax liabilities and other liabilities pertaining to the Company as a whole. Capital expenditure comprises additions to property, plant and equipment and intangible assets. Provisions relate only to the charges made against allocated assets.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

3. Summary of Significant Accounting Policies (continued)

3.26 Related Party Transactions

A party is related to the Company if:

- directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries), has an interest in the entity that gives it significant influence over the entity or has joint control over the entity;
- the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;
- the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);
- the party is a member of the key management personnel of the entity or its parent;
- the party is a close member of the family of any individual referred to in (1) or (4);
- the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in 4 or 5; or
- the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Relationships between the parent and its subsidiaries and between subsidiaries themselves are not treated as related party transactions by the Company.

3.27 Events after the Balance Sheet Date

The Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date. Events requiring an entity to adjust the amounts recognized in its financial statements are caused by favorable or unfavorable outcomes of the conditions that existed at the balance sheet date and the change in the management estimates subject to uncertainties which were used for accounting of a number of business activities.

The Company discloses the nature of the event and an estimate of its financial effect, or states that such an estimate cannot be made for each material category of a non-adjusting event after the balance sheet date.

4. Significant Accounting Judgements and Estimates

4.1 Judgments

In the process of applying the Company’s accounting policies, management has made the judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements relating to property, plant and equipment, intangible assets, deferred taxation, provision for impairment of receivables and pension liabilities as discussed in Notes 6, 7, 16, 25 and 30.

Classification of Lease Agreements

A lease is classified as finance lease if it transfers substantially all the risks and rewards incidental to ownership, otherwise it is classified as operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is for longer than 75 percent of the economic life of the asset, or that at the inception of the lease the present value of the minimum lease payments amount to at least 90 percent of the fair value of the leased asset, the lease is classified by the Company as finance lease, unless it is clearly demonstrated otherwise.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

4. Significant Accounting Judgements and Estimates

4.2 Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful Life of Property, Plant and Equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognized in profit or loss.

Impairment of Property, Plant and Equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Company is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

4. Significant Accounting Judgements and Estimates

4.2 Estimation Uncertainty (continued)

Impairment of Goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was 224,746 (2005 - 224,746), including 210,293 obtained through the acquisition of OJSC “Tatincom-T”. More details are provided in Notes 7 and 11.

Fair Values of Unlisted Available-for-sale Investments

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models. These valuation techniques are based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation technique which are recorded in the balance sheet and the related changes in the fair values recorded in the statement of changes in equity are reasonable and the most appropriate at the balance sheet date.

Allowance for Doubtful Accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2006, allowances for doubtful accounts have been created in the amount of 704,078 (2005 - 1,043,595) for trade accounts receivable and 103,013 (2005 - 0) for long-term advances given and other current assets.

Pension Obligations

Post-employment benefits are generally satisfied by plans which are classified and accounted for as defined benefit plans. The present value of defined post-employment benefit obligations and related current service cost are determined in accordance with actuarial valuation, which rely on demographic and financial assumptions including mortality, both during and after employment, rates of employee turnover, discount rate, future salary and benefit levels and, to a limited extent, expected return on plan assets. In the event that further changes in the key assumptions are required, the future amounts of the pension benefit costs may be affected materially. More details are provided in Note 25.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

4. Significant Accounting Judgements and Estimates

4.2 Estimation Uncertainty (continued)

Litigations

The Company exercises considerable judgment in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

Current Taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company's entities may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As of December 31, 2006 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax, currency and customs positions will be sustained. More details are provided in Note 24 and 30.

Deferred Tax Assets

Management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognized to the extent that their utilization is probable. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax type and jurisdiction. Various factors are used to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that an assessment of future utilization indicates that the carrying amount of deferred tax assets must be reduced, this reduction is recognized in profit or loss.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

5. Segment Information

	2006				Total for the Company
	Fixed line	Mobile	Other	Intercompany eliminations	
REVENUE					
Sales to third parties	22,868,969	10,144,658	911,413	–	33,925,040
Inter-segment sales	30,646	106,226	46,603	(183,475)	–
Total revenue	22,899,615	10,250,884	958,016	(183,475)	33,925,040
RESULT OF OPERATIONS					
Segment result	4,495,467	3,711,726	519,780	–	8,726,973
Unallocated corporate expenses	–	–	–	–	(4,957,784)
Operating profit	–	–	–	–	3,769,189
Share of result of associates, net	–	–	–	–	1,789
Interest expense, net	–	–	–	–	(2,490,594)
Gain (loss) from sale of subsidiaries, associates and other investments	–	–	–	–	25,866
Foreign exchange gain, net	–	–	–	–	20,544
Income tax	–	–	–	–	(497,027)
Minority interest	–	–	–	–	(1,048)
Net profit	–	–	–	–	828,719
ASSETS AND LIABILITIES					
Segment assets	37,946,350	10,402,413	752,222	–	49,100,985
Investments in associates	–	–	–	–	418,808
Unallocated corporate assets	–	–	–	–	4,987,862
Consolidated total assets	–	–	–	–	54,507,655
Segment liabilities	(4,075,061)	(1,719,508)	(451,190)	–	(6,245,759)
Unallocated corporate liabilities	–	–	–	–	(28,098,920)
Consolidated total liabilities	–	–	–	–	(34,344,679)
OTHER INFORMATION					
Capital expenditure	6,220,940	2,661,146	314,873	–	9,196,959
Depreciation and amortization	4,244,223	1,225,223	112,484	–	5,581,931
Recovery of impairment of receivables	(67,361)	37,498	–	–	(29,863)

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

5. Segment Information (continued)

	2005, as restated (see Note 2)				
	Fixed line	Mobile	Other	Intercompany eliminations	Total for the Company
REVENUE					
Sales to third parties	21,881,857	9,062,366	765,649	–	31,709,872
Inter-segment sales	1,385,269	73,502	490,016	(1,948,787)	–
Total revenue	23,267,126	9,135,868	1,255,665	(1,948,787)	31,709,872
RESULT OF OPERATIONS					
Segment result	7,766,478	1,510,266	350,451	–	9,627,195
Unallocated corporate expenses	–	–	–	–	(4,707,827)
Operating profit	–	–	–	–	4,919,368
Share of result of associates, net	–	–	–	–	6,499
Interest expense, net	–	–	–	–	(2,142,884)
Gain (loss) from sale of subsidiaries, associates and other investments	–	–	–	–	(13,396)
Foreign exchange gain, net	–	–	–	–	80,229
Income tax	–	–	–	–	(932,757)
Minority interest	–	–	–	–	(14,098)
Net profit	–	–	–	–	1,902,961
ASSETS AND LIABILITIES					
Segment assets	32,359,650	8,280,522	1,272,504	–	45,912,676
Investments in associates	–	–	–	–	417,056
Unallocated corporate assets	–	–	–	–	6,130,731
Consolidated total assets	–	–	–	–	52,460,463
Segment liabilities	(5,737,771)	(1,192,299)	(542,133)	–	(7,472,203)
Unallocated corporate liabilities	–	–	–	–	(24,907,421)
Consolidated total liabilities	–	–	–	–	(32,379,624)
OTHER INFORMATION					
Capital expenditure	9,504,489	1,575,468	3,614	–	11,083,571
Depreciation and amortization	3,093,883	989,291	263,414	–	4,346,588
Recovery of impairment of receivables	(227,389)	167,377	(990)	–	(61,002)

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

6. Property, Plant and Equipment

	Land, buildings and constructions	Switches and transmission devices	Construction in progress and equipment for installation	Vehicles and other	Total
Cost					
At December 31, 2004, as restated (see Note 2)	19,406,173	17,623,854	1,648,851	5,865,170	44,544,048
Additions, as restated (see Note 2)	–	–	10,686,314	–	10,686,314
Additions due to acquisition of Subsidiaries	45,177	54,550	900	3,229	103,856
Disposals, as restated (see Note 2)	(146,835)	(196,612)	(42,698)	(165,552)	(551,697)
Disposals due to sale of subsidiaries	(1,944)	–	–	–	(1,944)
Transfers, as restated (see Note 2)	2,730,206	6,237,123	(11,383,009)	2,415,680	–
At December 31, 2005, as restated (see Note 2)	22,032,778	23,718,915	910,356	8,118,528	54,780,577
Additions	–	–	8,288,009	–	8,288,009
Disposals	(156,468)	(271,394)	(109,469)	(132,359)	(669,690)
Disposals due to sale of subsidiaries (see Note 9)	(34,297)	–	(8,427)	(35,568)	(78,292)
Classified as held for sale (see Note 10)	(87,418)	(130,820)	(122)	(7,876)	(226,236)
Transfers	1,360,739	4,643,383	(8,482,345)	2,478,223	–
At December 31, 2006	23,115,334	27,960,084	598,002	10,420,948	62,094,368
Accumulated Depreciation					
At December 31, 2004, as restated (see Note 2)	(2,471,442)	(3,135,103)	–	(1,688,469)	(7,295,014)
Charge for the year, as restated (see Note 2)	(1,106,148)	(2,050,995)	–	(1,107,674)	(4,264,816)
Disposals, as restated (see Note 2)	54,807	94,282	–	120,777	269,866
Disposals due to sale of subsidiaries	756	–	–	–	756
At December 31, 2005, as restated (see Note 2)	(3,522,027)	(5,091,816)	–	(2,675,365)	(11,289,208)
Charge for the year	(1,202,406)	(2,511,578)	–	(1,688,298)	(5,402,282)
Disposals	74,184	174,641	–	104,517	353,342
Disposals due to sale of subsidiaries (see Note 9)	2,814	–	–	19,861	22,675
Classified as held for sale (see Note 10)	11,896	39,089	–	5,659	56,644
At December 31, 2006	(4,635,539)	(7,389,664)	–	(4,233,626)	(16,258,829)
Net book value as of December 31, 2004, as restated (see Note 2)	16,934,731	14,488,751	1,648,851	4,176,701	37,249,034
Net book value as of December 31, 2005, as restated (see Note 2)	18,510,751	18,627,099	910,356	5,443,163	43,491,369
Net book value as of December 31, 2006	18,479,795	20,570,420	598,002	6,187,322	45,835,539

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

6. Property, Plant and Equipment (continued)

The Company has transitioned to IFRS as of January 1, 2003 using the provisions of IFRS 1, “First-time Adoption of International Financial Reporting Standards”. The Company has applied an exemption permitted by IFRS 1 which allows an entity to measure property, plant, and equipment at the date of transition to IFRS at fair value and use that fair value as deemed cost. Management estimated that the carrying value of all of the Company’s property, plant and equipment was broadly comparable to their fair values. However, management engaged an independent appraiser to support these fair values. Independent appraiser finalized valuation in 2006. As the result, the reported carrying amount of property, plant and equipment were adjusted in accordance with the information provided by the independent appraiser (see Note 2).

The net book value of plant and equipment held under finance leases as of December 31 is presented below:

	2006	2005
Land, buildings and constructions	177,387	173,045
Switches and transmission devices	2,717,106	2,585,277
Construction in progress and equipment for installation	45,651	3,138
Vehicles and other	1,157,570	555,984
Total net book value of plant and equipment held under finance leases	4,097,714	3,317,444

Gross book value of property, plant and equipment, which were received on vendor financing terms in 2006 comprised 1,132,408 (2005, as restated – 1,532,666).

The Company capitalized interest to construction in progress in the amount of 6,768 in 2006 (2005 – 267,414). The capitalization rate was 4.9% in 2006 (2005 – 12%).

Bank borrowings are secured by properties with the carrying value of 10,960,606 as of December 31, 2006 (2005, as restated – 7,442,107).

Capital expenditure of the Company in construction in progress amounted 8,288,009 in 2006 (2005, as restated – 10,686,314).

Depreciation charge on property, plant and equipment for 2006 in the amount of 5,402,282 was recognized within Depreciation and amortization in the consolidated income statement (2005, as restated – 4,264,816).

At December 31, 2006 the gross carrying value of fully depreciated property, plant and equipment was 3,812,568 (2005, as restated - 2,153,094).

The assets transferred to the Company upon privatization do not include the land on which the Company’s buildings, comprising the Company’s principal operating facilities, are situated. The land on which the Company’s operating facilities are situated is rented by the Company from local authorities under the operating lease agreements. These lease agreements are signed for one year and may be extended by the Company without significant additional costs. Lease payments for land related to Company’s operating facilities can be changed subject to agreement by the parties. The future minimum lease payments under non-cancellable operating leases of land are disclosed in Note 34.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

7. Intangible Assets

	Goodwill	Licenses	Software	Other	Total
Cost					
At December 31, 2004	–	124,173	1,403,629	73,479	1,601,281
Additions	14,453	5,973	369,658	7,173	397,257
Additions due to acquisition of subsidiaries	–	67,737	–	–	67,737
Disposals	–	–	(32,137)	–	(32,137)
At December 31, 2005	14,453	197,883	1,741,150	80,652	2,034,138
Additions	–	–	908,950	–	908,950
Classified as held for sale	(14,453)	(65,785)	(288)	–	(80,526)
At December 31, 2006	–	132,098	2,649,812	80,652	2,862,562
Accumulated amortization					
At December 31, 2004	–	(56,018)	(151,952)	(18,529)	(226,499)
Charge for the year	–	(19,579)	(59,933)	(2,261)	(81,773)
Charge on disposed intangibles	–	–	19,451	–	19,451
At December 31, 2005	–	(75,597)	(192,434)	(20,790)	(288,821)
Charge for the year	–	(10,506)	(160,871)	(8,272)	(179,649)
Accumulated amortization classified as held for sale	–	4,434	237	–	4,671
At December 31, 2006	–	(81,669)	(353,068)	(29,062)	(463,799)
Net book value at December 31, 2004	–	68,155	1,251,677	54,950	1,374,782
Net book value at December 31, 2005	14,453	122,286	1,548,716	59,862	1,745,317
Net book value at December 31, 2006	–	50,429	2,296,744	51,590	2,398,764

Oracle E-Business Suite (OEBS)

As of December 31, 2006 software includes the cost of OEBS software with a gross book value of 1,075,233 (2005 – 848,299), including interest capitalized of 161,243 (2005 – 161,243). In accordance with the supply contract, the Company acquired non-exclusive licenses for 83,506 users of Oracle E-Business Suite 2003 Professional.

The Company commenced the commercial operation of OEBS in relation to module for accounting for non-current assets, the Release # 1, in line with the pilot stage of the implementation. In 2006 the implementation of the module, the Release # 1, was completed in all Company’s branches. Full implementation of Oracle E-Business Suite is expected to be completed by 2009.

The Company commenced amortizing the value of the mentioned software from the date of its implementation, proportionally to the quantity of licenses used, over the useful life of the licenses of 10 years. The amortization charge of Oracle E-Business Suite in 2006 comprised 87,858 (2005 – 5,535).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

7. Intangible Assets (continued)

Amdocs Billing Suite

As of December 31, 2006 software also includes Amdocs Billing Suite software with a gross book value of 883,058 (2005 – 643,744), including capitalized discount from promissory notes in the amount of 30,693 (2005 – 30,693). This software was purchased for the purpose of implementation of unified automated settlements system. The project of implementation of the unified automated settlements system is expected to be completed within 4-5 years.

Amdocs Billing Suite software was supplied by LLC IBM Eastern Europe/Asia in December 2004, in exchange for zero coupon 18 promissory notes for the total amount of 677,581. As of June 1, 2006 the Company fully repaid the promissory notes issued.

The Company will start amortizing Amdocs from the date of software implementation in proportion to the value of implemented modules. Until then the Company annually tests this software for impairment.

Amortization charge on intangible assets for 2006 in the amount of 179,649 was recognized within Depreciation and amortization in the consolidated income statement (2005 – 81,773) including amortisation of capitalized interest of 16,124.

Impairment Testing of Goodwill

Carrying amount of goodwill acquired through the acquisition of CJSC “Telephone Company Ural” (hereafter – “TC Ural”) comprised 14,453 at December, 31 2006 (2005 - 14,453). On December 27, 2006 the Company signed agreement with ComLine Ltd to sell 100% share in TC Ural. As of December 31, 2006 the Company classified assets of TC Ural as assets of disposal group classified as held for sale and corresponding liabilities as liabilities of disposal group classified as held for sale.

As of December 31, 2006 the Company classified the goodwill acquired through the acquisition of TC Ural into assets of disposal group classified as held for sale in amount of 14,453. As of December 31, 2006 the Company measured disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell (see Note 10).

8. Impairment Test of Intangible Assets Not Yet Available for Use

The Company performed impairment tests of intangible assets not yet available for use. At December 31, 2006 and 2005 these assets represent cost of Amdocs Billing Suite totaling 883,058 and Oracle in amount of 103,767 (2005 – 643,744 and 848,299, correspondingly). As at December 31, 2006 no impairment was identified.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

9. Consolidated Subsidiaries

The consolidated financial statements include the assets, liabilities and financial results of the Company and its subsidiaries as listed below:

Subsidiary	Main activity	Effective ownership, %		Voting Shares, %	
		2006	2005	2006	2005
LLC “Ural Inform TV”	TV- and radiobroadcasting	100	100	100	100
CJSC “Firma Permtelcom”	Cable television	100	100	100	100
CJSC “FK–Svyaz”	Telecommunication services	75	75	75	75
CJSC “Centr vnedreniya specializirovanih specsistem”	Data processing systems’ engineering	–	100	–	100
CJSC ”Svyazinformkomplekt”	Construction–assembly works	–	100	–	100
CJSC “TC Ural”	Fixed–line communication services	–	100	–	100
CJSC “AKIB Pochtobank”	Banking services	–	68.4	–	68.4
CJSC “Association Canal TV”	TV broadcasting	–	55.9	–	55.9

All the above companies are Russian legal entities registered in accordance with Russian legislation, and have the same fiscal year as Uralsvyazinform.

Disposal of shares in subsidiaries for 2006 is presented below:

Name	Main activity	Carrying amount of net assets disposed	Proceeds from sale	Sale/disposal of share in equity on the date of transaction, %
CJSC “Centr vnedreniya specializirovanih specsistem”	Data processing systems’ engineering	39	56	100
CJSC ”Svyazinformkomplekt”	Construction–assembly works	227	303	100
CJSC “AKIB Pochtobank”	Banking services	24,638	44,323	68.43
CJSC “Association Canal TV”	TV broadcasting	807	1,356	55.9
Total		25,711	46,038	

In June 2006 in accordance with the decision of the Board of Directors dated May 30, 2006, the Company sold a 100% stake in CJSC “Centr vnedreniya specializirovanih specsistem”. The gain in the amount of 17 resulting from the sale of CJSC “Centr vnedreniya specializirovanih specsistem” shares is presented in Note 29.

In May 2006 in accordance with the decision of the Board of Directors dated April 11, 2006, the Company sold a 100% stake in CJSC ”Svyazinformkomplekt”. The gain in the amount of 76 resulting from the sale of CJSC ”Svyazinformkomplekt” shares is presented in Note 29.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

9. Consolidated Subsidiaries (continued)

In October 2006 in accordance with the decision of the Board of Directors dated June 19, 2006, the Company sold a 68.4% stake in CJSC “AKIB Pochtobank”. The gain in the amount of 19,685 resulting from the sale of CJSC “AKIB Pochtobank” shares is presented in Note 29.

In October 2006 in accordance with the decision of the Board of Directors dated August 10, 2006, the Company sold a 100% stake in CJSC “Association Canal TV”. The gain in the amount of 549 resulting from the sale of CJSC “Association Canal TV” shares is presented in Note 29.

Information on the selling price, fair value of identifiable assets, liabilities and contingent liabilities of the disposed subsidiaries at the date of disposal is presented below:

	CJSC “Centr vnedreniya specializirovanih spetsistem”	CJSC “Svyazinform- komplekt”	CJSC “AKIB Pochtobank”	CJSC “Association Canal TV”
Selling price	106	303	45,338	1,406
Transaction cost	50	–	1,015	50
Total proceeds	56	303	44,323	1,356
Assigned value of identifiable assets and liabilities:				
Property, plant and equipment, net	32	–	55,296	289
Deferred tax asset	–	–	8,359	–
Accounts receivable	1	298	243,044	640
Cash and cash equivalents	6	28	125,947	194
Other current assets	–	9	234,806	567
Accounts payable	–	(108)	(377,777)	(246)
Other non-current liabilities	–	–	(253,655)	–
Total net assets	39	227	36,020	1,444
Company’s share in disposed subsidiaries	100%	100%	68.4%	55.9%
Company’s share in net assets of disposed subsidiaries	39	227	24,638	807
Minority interests in net assets of disposed subsidiaries	–	–	11,382	637
Total cash inflow/(outflow) from disposed subsidiaries	50	275	(81,624)	1,162

On December 20, 2006 the Company made a decision to sell its 100% share in subsidiary TC Ural. The amount of net assets as of that date was 128,887. The Company’s consolidated financial statement contains financial results of TC Ural till the date of that decision. The assets and liabilities of TC Ural are presented as assets and liabilities of disposal group classified as held for sale (see Note 10).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

10. Assets and liabilities of Disposal Group Classified as Held for Sale

On December 27, 2006 the Company signed agreement with ComLine Ltd to sell 100% share in TC Ural for 137,500. The sales price is determined by the independent appraisal. The decision to sell TC Ural was pre approved by the Company’s Board of Directors on December 20, 2006. The Company expects the deal to be completed during the first half of 2007. TC Ural provides wire telephone services on the territory of Urals region and does not represent a separate major line of business or geographical area of operations.

According to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” in December 2006 the Company commenced to treat TC Ural as “Disposal group classified as held for sale” as its carrying amount will be recovered principally through a sale transaction rather than through continuing use. TC Ural represents group of assets in total amount of 257,331 to be disposed by sale and liabilities in amount of 128,444 directly associated with those assets that will be transferred in the transaction. The group includes the goodwill in amount of 14,453 acquired in a business combination. As of December 31, 2006 the Company measured disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Company stopped amortizing assets classified as held for sales starting December 27, 2006.

As of December 31, 2006 the Company classified assets of TC Ural as assets of disposal group classified as held for sale and corresponding liabilities as liabilities of disposal group classified as held for sale:

	2006
Non-current assets	
Property, plant and equipment	169,592
Intangible assets and goodwill	75,855
Long-term investments	238
Long-term advances given	592
 Current assets	
Inventories	4,273
Accounts receivable	3,412
Other current assets	2,395
Cash and cash equivalents	974
Total assets of disposal group classified as held for sale assets	257,331
 Non-current liabilities	
Long-term borrowings	(29,797)
Deferred income tax	(34,029)
 Current liabilities	
Accounts payable, accrued expenses and advances received	(54,622)
Other taxes payable	(9,544)
Current portion of long-term borrowings	(452)
Liabilities of disposal group classified as held for sale	(128,444)
 Net assets of disposal group classified as held for sale	128,887

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

11. Investments in Associates

Investments in associates comprised of the following at December 31:

Associate	Activity	2006		2005	
		Voting shares	Carrying value	Voting shares	Carrying value
OJSC “Tatincom–T”	Cellular communication services	33.43%	384,688	33.43%	365,360
CJSC “Uralskaya telefonnaya kompaniya”	Communication services	23.00%	22,717	23.00%	37,985
CJSC “Teleross–Ekaterinburg”	Communication services	50.00%	3,962	50.00%	4,569
CJSC “Teleross–Tyumen”	Communication services	50.00%	4,462	50.00%	4,712
CJSC “Kurganskiy Sotoviy Telephone”	Communication services	50.00%	–	50.00%	–
Other			2,979		4,430
Total			418,808		417,056

All the above companies are Russian legal entities registered in accordance with Russian legislation and have the same fiscal year as the Uralsvyazinform.

In 2003 the Company acquired 33.34% of ordinary voting shares of OJSC “Tatinkom-T” for 316,069 and obtained significant influence over it. The excess of the consideration paid over the value of acquired share in net assets of OJSC “Tatinkom-T” in the amount of 208,714 has been treated as goodwill and included in the carrying amount of the investment in the balance sheet at December 31, 2006 and 2005. No impairment was identified by the Company after the testing of the carrying amount of the investment to OJSC “Tatinkom-T” for impairment at December 31, 2006 and 2005.

The Company has investments in the following associate whose net assets were negative as of December 31:

Name	Activity	Voting share, %	Net assets as of December 31	
			2006	2005
CJSC “Kurganskiy Sotoviy Telephone”	Cellular communication services	50	(16,846)	(12,288)

The carrying value of investments in associates shown in these consolidated financial statements is equivalent to the Company's share in the net assets of the associated company, except for investment in CJSC “Kurganskiy Sotoviy Telephone”. For this associate the carrying amount of the investment was reduced to zero considering that the associate reported accumulated losses exceeding the cost of the respective investment.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

11. Investments in Associates (continued)

Movement in investments in associates is presented below for the years ended December 31:

	2006	2005
Investments in associates at January 1	417,056	411,976
Share of income net of income tax 5,331 (2005 – 3,067) and dividends - 37 (2005 – 387)	3,201	6,112
Acquisition of additional shares	–	(1,032)
Impairment of investments in associates recognized in current year	(1,449)	–
Investments in associates at December 31	418,808	417,056

In 2006 the Company recognized the impairment loss for CJSC “Ural-Teleservice” in amount of 1,449 (2005 – 0) and included this amount in the Consolidated Income Statement as “Share of result of associates, net”. CJSC “Ural-Teleservice” ceased its operations in 2006. The management of the Company does not have any information whether CJSC “Ural-Teleservice” will continue its activities in 2007. As of December 31, 2006 the carrying amount of the investment in CJSC “Ural-Teleservice” is 0.

In 2006 the Company didn’t recognize share in net loss of the associate CJSC “Kurganskiy Sotoviy Telephone” in amount of 2,279. As of December 31, 2006 the Company’s share in the accumulated net loss of the associate CJSC “Kurganskiy Sotoviy Telephone” comprised 8,423 (2005 – 6,144). The Company doesn’t recognize in its consolidated financial statement investments in associates, which accumulated net loss exceeds the amount of its carrying value.

The following table illustrates summarized financial information of the associates:

Associate	Voting shares	Assets	Liabilities	Revenues	Net income/(loss)
2006					
OJSC “Tatincom-T”	33.43%	761,423	(239,756)	689,143	57,810
CJSC “Uralskaya telefonnaya kompaniya”	23%	279,719	(180,944)	376,169	(66,385)
CJSC “Teleross-Tyumen”	50%	9,475	(550)	2,240	(500)
CJSC “Teleross-Ekaterinburg”	50%	8,010	(86)	2,611	(1,215)
CJSC “Kurganskiy Sotoviy Telephone”	50%	3,350	(20,196)	344	(4,559)
2005					
OJSC “Tatincom-T”	33.43%	729,132	(265,275)	505,827	16,324
CJSC “Uralskaya telefonnaya kompaniya”	23%	279,510	(114,360)	290,544	4,097
CJSC “Teleross-Tyumen”	50%	9,974	(550)	4,000	(239)
CJSC “Teleross-Ekaterinburg”	50%	9,299	(160)	3,980	(1,580)
CJSC “Kurganskiy Sotoviy Telephone”	50%	3,324	(15,612)	712	(758)
CJSC “Ural-Teleservice”	25.2%	17,675	(11,925)	13,987	1,012

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

12. Long-term investments

Available-for-sale investments were presented by shares in the following entities as of December 31:

Company	2006		2005	
	Ownership interest	Carrying value	Ownership interest	Carrying value
Long-term investments				
OJSC “Svyazintech”	11%	12,591	11%	12,591
OJSC AKB “Svyazbank”	0.50%	11,231	0.50%	11,231
CJSC “RusleasingSvyaz”	7.30%	–	7.30%	2,847
OJSC Sberbank West-Ural bank	0.000225%	4,174	0.000225%	1,695
Other		<u>10,812</u>		<u>12,720</u>
Total long-term investments		<u><u>38,808</u></u>		<u><u>41,084</u></u>

Change in fair value of financial investments available for sale comprised 2,692 in 2006 (2005 – 1,479) and is included in Equity statement.

Available-for-sale investments in amount of 238 were reclassified to the assets of disposal group classified as held for sale (see Note 10).

In 2006 the Company sold its share in CJSC “Rusleasingsvyaz”. The carrying value of CJSC “Rusleasingsvyaz” at the disposal date was 2,847 and the sale price comprised 783. The loss from disposal in amount of 2,064 is included in gain (loss) on sale of subsidiaries, associates and other investments (see Note 29).

In 2006 the Company sold its share in OJSC “Khanty-Mansyisky bank”. The carrying value of OJSC “Khanty-Mansyisky bank” at the disposal date was 174 and the sale price comprised 210. The gain from disposal in amount of 36 is included in gain (loss) on sale subsidiaries, associates and other investments (see Note 29).

In 2006 the Company sold its share in OJSC “BETO”. The carrying value of OJSC “BETO” at the disposal date was 88 and the sale price comprised 82. The gain from disposal in amount of 4 is included in gain (loss) on sale subsidiaries, associates and other investments (see Note 29).

In 2006 the Company sold its share in “West-Siberian Commercial Bank”. The carrying value of “West-Siberian Commercial Bank” at the disposal date was 7 and the sale price comprised 10. The gain from disposal in amount of 3 is included in gain (loss) on sale subsidiaries, associates and other investments (see Note 29).

The Company recognized loss on write off of the investment in Non-state Pension Fund “Iset-Fund” in amount of 100 (see Note 29).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

13. Long-Term Accounts Receivable and Other Financial Assets

Long-term accounts receivable and other assets comprised the following as of December 31:

	2006	2005
Long-term loans given	167,014	174,878
Long-term accounts receivable	104,795	211,931
Long-term VAT recoverable	5,051	9,809
Total	276,860	396,618

Long-term loans given were accounted at amortized cost using the effective interest rate of 18% as of December 31, 2006 (2005 – 21%). The long-term loans given decreased due to the sale of share in CJSC “AKIB Pochtobank” (see Note 9).

14. Long-Term Advances Given

Long-term advances given to suppliers of equipment comprised the following as of December 31:

	2006	2005
Advances given for capital construction	107,558	323,880
Acquisition and implementation of Oracle E-Business Suite software (see Note 7)	146,301	125,905
Total	253,859	449,785

15. Inventories

Inventories comprised the following as of December 31:

	2006	2005
Cable, materials and spare parts for telecommunications equipment	186,385	229,797
Construction materials, fuel and instruments	44,319	99,408
Finished goods and goods for resale	81,017	72,998
Other inventories	204,984	346,495
Provision for inventory obsolescence	(20,041)	(8,446)
Total	496,664	740,252

In 2006 the increase in provision for inventory obsolescence 11,595 (2005 – 148) is included in “Other operating expenses” in the Consolidated Income Statement.

16. Accounts Receivable

Accounts receivable comprised the following as of December 31:

	2006	2005
Trade receivables – telecommunication services	2,788,011	2,653,365
Trade receivables – other	182,894	203,805
Provision for impairment of trade receivables	(704,078)	(1,043,595)
Total	2,266,827	1,813,575

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

16. Accounts Receivable (continued)

Trade Accounts receivable for telecommunication services were due from the following major customer groups as of December 31:

	2006	2005
Residential customers	1,117,620	1,276,939
Corporate customers	583,797	533,482
OJSC “Rostelecom”	414,292	57
National operators	392,564	239,912
Government customers	120,998	114,184
Tariff compensation from the state budget	158,740	488,791
Total	2,788,011	2,653,365

All Company’s Trade Accounts receivable are denominated in Russian Roubles as of December 31, 2006 and 2005.

The Company invoices its governmental and corporate customers on a monthly basis. The Company sends monthly payment requests and substantially relies upon these customers to remit payments based on the received payment requests. All customer payments are based upon tariffs, denominated in Roubles, in effect at the time the calls are made. In certain cases the Company managed to collect penalties for payment delays and to enforce reimbursement in arbitration court.

The debt of social security organizations with regard to the compensation of expenses relating to privileges granted to certain categories of subscribers amounted to 5.5% of the total trade accounts receivable as of December 31, 2006 (2005 – 17.8%). The Company collected accounts receivable for tariff compensation in the amount of 267,219 from the federal budget in 2006 in a judicial proceeding and expects to collect 44,037 in 2007.

As of December 31, 2006, based on assessment of the probability of recovery of accounts receivable related to compensation due from social organization, and taking into account potential judicial enforcement of debts, the provision for bad debt accounts receivable was created by the company in the amount 158,740, or 100% of the accounts receivable from social security organization.

The following summarizes the changes in the provision for impairment of trade receivables:

	2006	2005
Balance at January 1	(1,043,595)	(1,184,429)
Provision for the year	132,878	61,002
Trade receivables written off	206,639	79,832
Balance at December 31	(704,078)	(1,043,595)

In 2006 the net gain on recovery of provision for impairment comprised 132,878 (2005 – 61,002) and was included in Provision for impairment of receivables in the Consolidated Income Statement.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

17. Other Current Assets, Net

Other current assets comprised the following as of December 31:

	<u>2006</u>	<u>2005</u>
Deferred expenses	767,168	588,300
VAT receivable	350,904	1,508,472
Prepayments and advance payments	168,531	328,240
Short-term loans given	–	297,520
Other prepaid taxes	44,643	19,514
Settlements with personnel	48,587	32,556
Short-term investments	–	289
Total	<u>1,379,833</u>	<u>2,774,891</u>

As of December 31, 2006 the Company created provision for impairment of other current assets in the amount of 103,015. The related expense was included in Provision for impairment of receivables in the Consolidated Income Statement.

18. Cash and Cash Equivalents

Cash and cash equivalents comprised the following as of December 31:

	<u>2006</u>	<u>2005</u>
Cash at bank and on hand	644,945	461,581
Other cash equivalents	629	25,892
Total cash and cash equivalents	<u>645,574</u>	<u>487,473</u>

19. Significant Non-Cash Transactions

The Company has received telecommunication equipment in the amount of 1,415,331 under lease in 2006 (2005 – 1,211,486).

The gross book value of property, plant and equipment received under vendor financing terms in 2006 comprised 1,132,408 (2005 – 1,532,666).

Non-cash transactions have been excluded from the consolidated statement of cash flows.

20. Share Capital

Total number of outstanding shares is as follows:

	Number of shares outstanding (thousands)	Par value	Carrying value
As at December 31, 2004	40,134,723	4,816,167	8,749,303
Preference	7,835,941	940,313	1,708,222
Ordinary	32,298,782	3,875,854	7,041,081
As at December 31, 2005	40,134,723	4,816,167	8,749,303
Preference	7,835,941	940,313	1,708,222
Ordinary	32,298,782	3,875,854	7,041,081
As at December 31, 2006	40,134,723	4,816,167	8,749,303

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

20. Share Capital (continued)

The difference between the total par value and the total carrying value of share capital represents the effects of inflation accumulated through January 1, 2003. All issued shares have been fully paid.

All shares have a par value of 0.12 Rouble. Ordinary shareholders are entitled to one vote per share.

Preference shares give the holders the right to participate in the general shareholders' meetings without voting rights except in instances where decisions are made in relation to re-organization and liquidation of the Company, and in relation to changes and amendments to the Company's charter which restrict the rights of preference shareholders. Preference shares have no rights of redemption or conversion but carry non-cumulative dividends per share of 10% of the Russian accounting net income of Uralsvyazinform for the year. If Uralsvyazinform fails to pay the above mentioned dividends or has no profits in any year, preferred shareholders have the right to vote in the general shareholders' meeting. Owners of preferred shares have the right to participate in and vote on all issues within the competence of general meetings following the annual general meeting at which a decision not to pay (or to pay partially) dividends on preferred shares has been made. The annual amount of dividends on preference shares may not be less than that of the dividends on ordinary shares. The preference shareholders participate in earnings along with ordinary shareholders. Accordingly, the Company's preferred shares are considered participating equity instruments for the purpose of earnings per share calculations (see Note 31).

In a case of liquidation, the property remaining after settlement with creditors, payment of preferred dividends and redemption of the par value of preferred shares is distributed among preferred and ordinary shareholders proportionately to the number of owned shares.

Distributable earnings of the parent company are limited to its retained earnings, as mandated by statutory accounting rules. Statutory retained earnings of the parent company as of December 31, 2006 and 2005 comprised 8,663,781 and 7,258,078, respectively.

In accordance with the Russian legislation, dividends may only be declared to the shareholders of the Company from net income as shown in the Company's Russian statutory financial statements. The Company reported the net income of 2,084,690 and 2,194,986 in its statutory financial statements in 2006 and 2005, respectively.

Dividends were declared in 2006 in respect of 2005 to holders of ordinary shares and preference shares of 0.01605 Rouble per ordinary share (2005 – 0.01500 Rouble per ordinary share) and 0.02802 Rouble per preference share (2005 – 0.02710 Rouble per preference share).

In June 1997 the Company signed a Deposit agreement with The Bank of New York as a Depositary and Owners and Holders of American Depositary Receipts. At the same time, the Securities and Exchange Commission (SEC) registered a Level 1 ADR program for ordinary shares. In August 2002 the Company changed the Depositary by signing new Deposit agreement with JP Morgan Chase Bank as the successor Depositary.

In September 2002, the SEC registered the Level 1 ADR program for preference shares on the basis of a Depositary agreement signed by Uralsvyazinform, JP Morgan Chase Bank as a Depositary and Holders of American Depositary Receipts.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

20. Share Capital (continued)

The following table represents ADR registration for 2004-2006:

	ADR (quantity)	Ordinary shares equivalent (quantity)	Ordinary shares %	Charter capital %
December 31, 2004	20,734,294	4,146,858,800	12.84%	10.33%
Decrease 2005	(2,270,075)	(454,015,000)	(1.41%)	(1.13%)
December 31, 2005	18,464,219	3,692,843,800	11.43%	9.20%
Decrease 2006	(7,299,768)	(1,459,953,600)	(4.52%)	(3.64%)
December 31, 2006	11,164,451	2,232,890,200	6.91%	5.56%

Currently ADR are traded on the following stock markets:

Stock market	CUSIP(WKN)		ADR ticker		ISIN	
	ADR	ADR pfd.	ADR	ADR pfd.	ADR	ADR pfd.
Frankfurt Stock Exchange (FSE)	908291	164647	URL	URL 1	US9168871021	US9168872011
Berlin Stock Exchange (BerSE)	908291	164647	URL	URL 1	US9168871021	US9168872011
Xetra	908291	164647	URL	URL 1	US9168871021	US9168872011
Stuttgart Stock Exchange (SSE)	908291	–	URL	–	US9168871021	–
Dusseldorf Stock Exchange (SSE)	908291	–	URL	–	US9168871021	–
Munich Stock Exchange (SSE)	908291	–	URL	–	US9168871021	–

The Company’s shareholding structure as of December 31, 2006 was as follows:

	Ordinary shares		Preference shares		Total
	Number (thousands)	%	Number (thousands)	%	Number (thousands)
Svyazinvest	16,806,946	51	–	–	16,608,946
Other legal entities	13,066,161	41	6,023,111	77	19,089,272
Individuals	2,623,675	8	1,812,830	23	4,436,505
Total	32,298,782	100	7,835,941	100	40,134,723

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

21. Borrowings

Borrowings comprised the following as of December 31:

	Weighted average interest rate	Maturity date	2006	2005
Short-term borrowings				
Bank loans (Roubles)	10.08%	2007	740,000	1,115,000
Bank loans (Euro)	10%		–	22,609
Total bank loans			740,000	1,137,609
Vendor financing:				
Vendor financing (Roubles)		2007	460,212	503,971
Vendor financing (US Dollars)		2007	2,020	100,602
Vendor financing (Euro)		2007	7,373	71,362
Total vendor financing			469,605	675,935
Promissory notes	8.5%		55,288	–
Interest payable			308	3,533
Total short-term borrowings			1,265,201	1,817,077
Long-term borrowings				
Bank loans (Roubles)	9.52%	2007-2011	9,201,736	6,802,448
Bank loans (US Dollars)	7.65%	2007	36,935	80,671
Bank loans (Euro)	Euribor+0.82	2008-2014	1,567,709	1,242,406
Total bank loans			10,806,380	8,125,525
Bonds (Roubles)	9%		10,042,908	10,160,647
Vendor financing (US Dollars)		2007	160,254	192,632
Vendor financing (Euro)	3.59%	2007	21,487	115,334
Total vendor financing			181,741	307,966
Promissory notes (Roubles)	12.1%	2007	593,713	1,160,344
Promissory notes (US Dollars)			–	234,640
Total promissory notes			593,713	1,394,984
Restructured customer payments for connection (RUR)			57,132	81,439
Other loans (Euro)	Euribor+3.16	2010	122,843	6,000
Total long-term borrowings including current portion			21,804,718	20,076,561
Less: Current portion of long-term borrowings			(4,729,982)	(5,411,797)
Total long-term borrowings			17,074,736	14,664,764

As of December 31, 2006 long-term loans and borrowings included interest payable in the amount of 383,904 (2005 – 492,062).

As of December 31, 2006 bank loans are secured by property, plant and equipment with the carrying value of approximately 10,960,606 (2005, as restated – 7,442,107).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

21. Borrowings (continued)

Long-term borrowings had the following maturity as of December 31, 2006:

Maturity date	Bank loans	Bonds	Restructured customer payments	Vendor financing	Other loans and borrowings	Promissory notes	Total
2007	697,878	3,213,830	4,048	181,741	38,771	593,713	4,729,982
2008	6,019,328	2,000,000	42	–	–	–	8,019,370
2009	2,083,766	379,723	5,641	–	–	–	2,469,130
2010	93,606	2,000,000	750	–	84,072	–	2,178,428
2011	1,300,030	2,012,537	28,940	–	–	–	3,341,507
After 2011	611,772	436,818	17,710	–	–	–	1,066,301
Total	10,806,380	10,042,908	57,132	181,741	122,843	593,713	21,804,718

The Company’s borrowings are denominated in the following currencies:

Currency	2006	2005
Russian Roubles	21,151,285	19,832,722
Euro	1,719,424	1,451,778
US dollars	199,210	609,138
Total	23,069,919	21,893,638

The Company has not entered into hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Short-Term Borrowings

Bank Loans

Most short-term borrowings denominated in Roubles represent bank loans received to finance working capital. Most of these loans are collateralized with telecommunications equipment.

International Moscow Bank CJSC

In December 2006 International Moscow Bank provided the Company with loan in the amount 620,000. The loan matures on May 30, 2007 and bears 9.9 % interest. The loan is not secured.

Promissory Notes

In December 2006 the Company issued promissory notes in the total amount of 55,288 that were used to finance purchase of ADSL-modems and to pay for installation services. The promissory notes mature in June 2007. The effective interest rate is 8.5% per annum and the promissory notes mature on demand not earlier 360 days from date of issue.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

21. Borrowings (continued)

Long-Term Loans and Borrowings

OJSC Sberbank

Long-term borrowings from Sberbank mostly represent rouble denominated loans in amount of 2,631,000 received in 2006. The loans bear interest of 8.5-9.5%. The loans mature in 2008-20011.

As of December 31, 2006 the outstanding amount was 2,637,840. The loans are secured with property, plant and equipment in the amount of 3,000,000.

Gazprombank

Long-term borrowings from Gazprombank mostly represent rouble denominated loans in amount of 3,500,000, received in 2004-2006. The loans mature in 2007-2008. The loans bear 9.8% interest. As of December 31, 2006 the outstanding amount was 3,853,040. The loans are secured with property, plant and equipment in the amount of 4,000,000.

ING BHF-BANK

In 2006 ING BHF-BANK Aktiengesellschaft provided the Company with a loan in the amount of 17,468 thousands Euro or 629,880. As of December 31, 2006 the outstanding amount to ING BHF-BANK Aktiengesellschaft comprised 43,958 thousands Euro or 1,525,191. The loan matures in December 2014. The loan bears interest of the floating rate of Euribor plus 0.875% per annum, having approximated 4,205% per annum in 2006. The loan is unsecured.

Raiffeisen Bank Austria

In accordance with credit agreement with Raiffeisen Bank Austria the bank may demand early repayment in the following instances: overdue liabilities exceeding 800,000; disposal, pledge of property in excess of 35 % of total assets. The stated covenants have not been violated during 2006.

Other Loans

Iskratel d.o.o

In September 2006 “Iskratel, telecommunications system” (Slovenia) provided the Company with a loan in amount of 3,500 thousands Euro or 120,772 for financing of equipment. The loan matures in 2010. The loan bears 6.7% annual interest payable quarterly. As of December 31, 2006 the outstanding amount was 3,541 thousands Euro or 122,843. The loan is unsecured.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

21. Borrowings (continued)

Bonds

In June 2003, the Company registered the issue of 3,000,000 interest-bearing bearer's bonds series 03 with a par value of 1,000 Roubles each. Interest is payable twice a year. The coupon effective rate is set at 14.5% per annum. In July 2006 coupon yield and bonds were repaid.

In September 2004, the Company registered the issue of 3,000,000 interest-bearing bearer's bonds, series 04, with a par value of 1,000 Roubles each. Interest is payable twice a year. The coupon effective rate is set at 9.99% per annum. The bonds mature in 1,092 days from the date of issue on November 1, 2007.

In April 2005 the Company registered the issue of 2,000,000 inconvertible certified interest-bearing bearer bonds, series 05, with a par value of 1,000 Roubles each. The bonds have 6 coupon periods. Repayments for the first period is effective on the 182nd day from the date of the issue, and the other coupon repayments are effective every 182nd day. The coupon effective rate is set at 9,19% per annum. The bonds mature in 1,092 days from the date of issue, on April 17, 2008. These bonds do not provide put options.

In November 2005 the Company registered the issue of 2,000,000 inconvertible certified interest-bearing bearer bonds, series 06, with par value of 1,000 Roubles each. The bonds have 12 coupon periods of 182 days each. The bonds are to be redeemed time-phased: in the amount of 20% from the date of issue every six months starting from the 1465th day from the date of issue, i.e. November 2009. These bonds do not provide put options.

In March 2006 the Company registered the issue of 3,000,000 inconvertible certified interest-bearing bearer bonds, series 07, with par value of 1,000 Roubles each. The bonds have 12 coupon periods of 182 days each. The coupon effective rate is set at 8.40%.

The bonds mature as follows: 20% of par value one 1,465th day from the date of issue, i.e. March 2010; 20% of par value one 1,638th day from the date of issue, i.e. September 2010; 20% of par value one 1,820th day from the date of issue, i.e. March 2011; 20% of par value one 2,002th day from the date of issue, i.e. September 2011; 20% of par value one 2,184th day from the date of issue, i.e. March 2012.

Promissory Notes

In December 2005 the Company issued promissory notes in the nominal amount of 465,819. The promissory notes mature in June 2007. The selling price was determined as 400,000. The effective interest rate is 11% per annum.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

22. Finance Lease Obligations

The Company purchases telecommunication equipment under finance lease contracts. Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease are as follows payments as of December 31:

	2006		2005	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Current portion	1,418,255	1,012,698	1,128,165	786,239
Long-term portion (from 1 to 5 years)	2,174,669	1,753,358	1,825,423	1,466,653
Long-term portion (later than 5 years)	–	–	54,750	13,224
Total minimum lease payments	3,592,924	–	3,008,338	–
Less amounts representing finance charges	(826,868)	–	(742,222)	–
Present value of minimum lease payments	2,766,056	2,766,056	2,266,116	2,266,116

The net book value of plant and equipment held under finance lease as of December 31, 2006 is 4,097,714 (2005 – 3,317,444) (see Note 6).

In 2006 and 2005, the Company’s primary lessor was OJSC “RTC-Leasing”. In 2006, the effective interest rate concerning lease liabilities ranged from 14% to 20% per annum (2005 – 14% to 20% per annum).

OJSC “RTC-Leasing” purchases telecommunication equipment from domestic and foreign suppliers and provides such equipment to the Company under finance lease agreements. The Company’s obligations under finance leases to OJSC “RTC-Leasing” as of December 31, 2006 comprised 2,733,230 (2005 – 1,880,558) including the principal amount of 2,077,649 (2005 – 1,414,371) and 655,581 interest payable (2005 – 466,188).

OJSC “RTC-Leasing” is entitled to adjust the lease payment schedule in the event of a change in certain economic conditions, in particular, a change in the refinancing rate of the Central Bank of the Russian Federation.

As of December 31, 2006 finance lease obligations denominated in US Dollars and Euro comprised 29,700 and 56,507 respectively (2005: 66,088 and 92,041 respectively).

23. Accounts Payable, Accrued Expenses and Advances Received

Accounts payable and other current liabilities comprised the following as of December 31:

	2006	2005
Trade accounts payable	1,432,261	1,054,951
Salaries and wages	917,086	736,127
Advances received from subscribers	861,623	748,886
Accounts payable to equipment suppliers and constructors	328,784	556,101
Payables to agents	122,817	22,693
Payables for Universal Reserve	89,017	178,170
Accounts payable for voluntary property insurance	84,024	38,968
Other accounts payable	68,429	77,654
Total	3,904,041	3,413,550

The accounts payable for capital investments in the amount of 67,706 and 231,165 included in the trade payables as of December 31, 2006 and 2005, respectively, are denominated mostly in USD and Euro.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

24. Other Taxes Payable

Current taxes payable comprised the following as of December 31:

	2006	2005
Property tax	196,650	171,625
Unified social tax	96,928	104,531
Value added tax	70,836	644,232
Personal income tax	54,280	66,768
Other taxes	12,480	6,675
Total	431,174	993,831

Value added tax payable in the amount of 70,836 (2005 - 399,118) is the deferred VAT that is only payable to the tax authorities when the underlying receivable is recovered or written off.

25. Pension Liabilities

In addition to statutory pension benefits, the Company also contributes to post-employment benefit plan, which covers most of its employees.

The defined benefit pension plan provides old age retirement pension and disability pension. The plans provide for payment of retirement benefits starting from statutory retirement age, which is currently 55 for women and 60 for men. According to the plan terms the pensions are defined monetary values which depend on participants' positions and are not linked to salaries. In order to be eligible for the pension the employee should have past service period not less than fifteen years at the moment of retirement.

Non-government pension fund “Telecom-Soyuz” (hereinafter – NPF Telecom-Soyuz), which is related to the Company (see *Note 35*), maintains the defined benefit pension plan. The Company funds the pension plan on a pay-as-you-go basis upon agreement with the pension fund.

The Company further provides other long-term employee benefits of a defined benefit nature such are lump-sum payments upon retirement, death, disability and jubilees to its active and former employees.

Additionally the Company provides financial support of a defined benefit nature to its old age and disabled pensioners.

As of December 31, 2006 there were 16,183 working employees participating to the defined benefit pension plan of the Company and 10,399 pensioners eligible to the other post-employment benefit plans provided by the Company (as of December 31, 2005 – 33,933 and 7,902 respectively).

As of December 31, 2006 and 2005 the net liabilities of defined benefit pension and other post-employment benefit plans comprised the following:

	2006	2005
Present value of defined benefit obligation	(3,171,983)	(3,444,676)
Fair value of plan assets	5,228	187,897
Present value of unfunded obligation	(3,166,755)	(3,256,779)
Unrecognized past service cost	1,875,314	2,057,210
Unrecognized actuarial (gains) losses	(258,396)	374,640
Net pension liability in the balance sheet	(1,549,837)	(824,929)

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

25. Pension Liabilities (continued)

The amount of net expense for the defined benefit pension and other post-employment benefit plans recognized in 2006 and 2005 were as follows:

	2006	2005
Current service cost	(209,800)	(91,123)
Interest cost on benefit obligation	(252,677)	(145,988)
Expected return on plan assets	6,892	13,149
Net actuarial (losses) recognized in the year	(2,061)	–
Amortization of past service cost – non-guaranteed portion	(184,479)	(42,212)
Immediate recognition of past service cost	(179,487)	(60,579)
Gains on curtailments and settlements	14,901	–
Net expense for the defined benefit plan	806,711	326,753
Actual return on plan assets	2,833	21,853

Increase in current service cost, interest cost on benefit obligation and amortization of the past service cost in 2006 contributed into the growth of the amount of the defined benefit expenses in 2006 and was caused by the considerable rising of the present value of the defined benefit obligation in 2005 as a result of changes introduced for the existing defined benefit plan.

Changes in the present value of the defined benefit obligation in 2006 and 2005 were as follows:

	2006	2005
Defined benefit obligation at January 1	(3,444,676)	(1,094,121)
Interest cost on benefit obligation	(252,677)	(145,988)
Current service cost	(209,800)	(91,122)
Past service cost	(182,070)	(1,779,579)
Benefits paid	84,387	49,478
Liabilities extinguished on settlements	182,919	–
Actuarial gains/(losses) on obligation	649,934	(383,344)
Defined benefit obligation at December 31	(3,171,983)	(3,444,676)

Changes in the fair value of plan assets in during 2006 and 2005 were as follows:

	2006	2005
Fair value of plan assets at January 1	187,897	115,823
Expected return	6,892	13,149
Actuarial gains	(4,059)	8,704
Benefits paid	(84,387)	(49,478)
Assets distributed on settlement	(182,923)	–
Contributions by employer	81,808	99,699
Fair value of plan assets at December 31	5,228	187,897

The Company expects to contribute 224,800 to its defined benefit pension plans in 2007.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

25. Pension Liabilities (continued)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2006	2005
Russian equities	9.2%	1.5%
Russian corporate bonds	34.2%	22.7%
Russian government bonds	30.8%	39.0%
Promissory notes	24.9%	33.1%
Other assets	0.9%	3.7%

As of December 31, 2006 and 2005 the principle actuarial assumptions of defined benefit pension and other post-employment benefit plans were as follows:

	2006	2005
Discount rate	7%	7%
Expected return on plan assets	8.5%	9.69%
Future salary increases	9.2%	8.15%
Relative pay increase (career progression)	1%	1%
Rate used for calculation of annuity value	6%	6%
Increase in financial support benefits	5%	5%
Staff turnover	7%	5%
Mortality tables (source of information)	USSR 1985/86	USSR 1985/86

The overall expected rate of return on assets is determined based on the market prices prevailing on that date and the structure of the plan assets portfolio. There has been change in the expected return on plan assets due some decrease in return on corporate promissory notes and decrease in their share in total plan assets in 2006.

Amounts for the current and previous four periods are as follows:

	2006	2005	2004	2003	2002
Present value of defined benefit obligation	3,171,983	3,444,677	1,094,121	987,787	834,441
Plan assets	5,228	187,898	115,823	111,550	74,824
Surplus	3,166,755	3,256,779	978,298	876,236	759,617
Experience adjustments on plan liabilities	639,749	39,989	–	–	–
Experience adjustments on plan assets	(4,059)	8,704	2,789	4,601	5,406

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

26. Revenues

By revenue types	2006	2005, as restated
Cellular services	10,144,658	9,062,366
Local telephone calls	8,221,982	7,392,078
Services for national operators	5,166,100	2,504,798
Inter-regional telephone calls	3,520,194	–
New services (Internet, ISDN, ADSL, IP-telephony)	2,023,518	1,413,878
Other telecommunications services	980,214	652,158
Assistance services	852,996	–
Installation and connection fees	682,618	1,275,472
Data transfer and telemetric services	565,236	348,529
Radio and TV broadcasting	484,526	448,492
Rent of telephone channels	325,456	227,098
Documentary services	46,129	55,052
Long distance calls - national	–	6,216,906
Long distance calls – international	–	1,347,396
Other revenues	911,413	765,649
Total	33,925,040	31,709,872

New regulations required in pursuance of the Federal Law on Communications came into force starting January 1, 2006 and resulted in changes in inter-regional, domestic and international services providing.

From January 2006 domestic and international long-distance telephone services are provided only by operators with proper license. The Company ceased to provide these services and based on licenses received provide inter-regional telephone services.

In 2005 the Company did not present revenues from inter-regional telephone services separately, as no tariffs were approved for this type of services. In 2005 revenues from inter-regional connections were combined with revenues from intercity calls services. For comparability purposes the Company made the following reclassifications between types of revenues for 2005:

	As previously reported	Reclassifications	As restated
Services for national operators	1,617,604	887,194	2,504,798
New services	1,428,155	(14,277)	1,413,878
Long distance calls - national	7,089,823	(872,917)	6,216,906

The Company identifies revenue by the following major customer groups:

Customer groups	2006	2005
Residential customers	19,119,347	16,947,178
Corporate customers	6,269,615	9,342,313
Rostelecom	4,193,345	984,722
Other operators	2,412,903	2,540,366
Government customers	1,925,559	1,745,408
Tariff compensation from the state budget	4,271	149,885
Total	33,925,040	31,709,872

In 2006 the services for national operators settled through barter transactions amounts to 5,371,350 (2005 – 351,400).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

27. Other Operating Expenses

	2006	2005, as restated
Charitable contributions, Contributions to labour union	(333,085)	(207,472)
Universal service fund payments	(323,540)	(219,196)
Expenses for cleaning of premises	(302,945)	(283,190)
Payments to Non-commercial Partnership (Note 35)	(229,911)	(228,973)
Payments to “Radiochastotniy centr” and Gossvyaznadzor	(190,689)	(17,100)
Audit and consulting fees	(195,964)	(142,900)
Business travel expenses and representation costs	(172,887)	(146,894)
Education expenses	(123,506)	(105,241)
Delivery of invoices, letters and telegrams	(152,377)	(6,058)
Bank services fees	(97,843)	(122,430)
Cost of goods sold	(96,727)	(86,380)
Civil Defence	(40,242)	(65,767)
Expenses related to issuance of sim - cards	(38,938)	(15,953)
Registration of immovable property	(37,303)	(28,241)
Transportation services	(35,376)	(40,101)
Post services	(16,064)	(15,275)
Other expenses	(607,348)	(576,499)
Total	(2,994,745)	(2,307,670)

Other expenses primarily consist of charges for cash collection services, certification, property rights state registration and expenses related to land geodetic surveying.

28. Interest Expense, Net

	2006	2005
Interest income	66,323	105,801
Interest expense on loans	(2,084,218)	(1,823,189)
Interest expense accrued on finance leases	(464,860)	(414,133)
Interest expense on vendor financing	(7,839)	(11,363)
Total	(2,490,594)	(2,142,884)

29. Gain (Loss) on Sale of Subsidiaries, Associates and Other Investments

	2006	2005
Gain on sale of share in CJSC “AKIB Pochtobank”	19,685	–
Gain on sale of share in CJSC “Association Canal TV”	549	–
Gain on sale of share in CJSC “Svyazinformkomplekt”	76	–
Gain on sale of share in CJSC “Centr vnedreniya specializirovanih specsistem”	17	–
Loss on disposal of share in NPF “Svyazist”	–	(16,900)
Loss on sale of share in LLC “Infinvest”	–	(144)
Gain on sale of other investments	4,306	3,217
Dividend income	1,233	431
Total	25,866	(13,396)

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

30. Income Tax Expense

Income tax charge comprised the following for the years ended December 31:

	2006	2005, as restated
Current income tax expense	764,751	709,027
Adjustment in respect of current tax of previous years	(171,895)	–
Deferred tax (income) expense	(95,829)	223,730
Total income tax for the year	497,027	932,757

A reconciliation of the theoretical tax charge to the actual income tax charge is as follows:

	2006	2005, as restated
Profit before income tax	1,326,794	2,849,816
Statutory income tax rate	24%	24%
Theoretical tax charge at statutory income tax rate	318,431	683,956
Increase (decrease) resulting from the effect of:		
Adjustment in respect of current tax of previous years	(171,895)	–
Non-taxable income	(5,189)	(3,318)
Non-deductible expenses	393,466	303,769
Carry forward of unused tax losses	–	(28,770)
Other	(37,786)	(22,880)
Total income tax charge for the year	497,027	932,757
Effective income tax rate	37%	33%

The composition of deferred income tax assets and liabilities as of December 31, 2006 and 2005 was as follows:

	As at December 31, 2004, as restated	Origination and reversal of temporary differences, as restated	Acquisition of subsidiaries	As at December 31, 2005, as restated	Origination and reversal of temporary differences	Disposal of subsidiaries	Reclass to liabilities held for sale	As at December 31, 2006
<i>Deferred tax assets</i>								
Accounts payable and accrued liabilities	22,116	5,983	–	16,133	56,021	–	–	72,154
Accounts receivable	224,491	(106,498)	–	117,993	(71,989)	(8,359)	–	37,645
Finance lease obligations	184,665	190,670	–	375,335	234,940	–	–	610,275
Pension liabilities	–	50,109	–	50,109	57,643	–	–	107,752
Total deferred tax assets	431,272	128,298	–	559,570	276,615	(8,359)	–	827,826
<i>Deferred tax liabilities</i>								
Fixed assets	(2,570,903)	(329,221)	3,981	(2,896,143)	(166,979)	–	1,970	(3,061,152)
Intangible assets	(38,518)	(20,597)	(15,684)	(74,799)	3,946	–	14,736	(56,117)
Effect from investments valuation	(20,666)	(3,322)	–	(23,988)	(342)	–	–	(24,330)
Other	(5,486)	1,111	(17,993)	(22,368)	(17,411)	–	17,323	(22,456)
Total deferred tax liabilities	(2,635,573)	(352,029)	(29,696)	(3,017,298)	(180,786)	–	34,029	(3,164,055)
Deferred tax liabilities, net	(2,204,302)	(223,730)	(29,696)	(2,457,728)	95,829	(8,359)	34,029	(2,336,229)

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

30. Income Tax Expense (continued)

The movement in deferred tax liability was as follows for the years ended December 31:

	<u>2006</u>	<u>2005</u>
Deferred tax liability, at January 1	(2,457,728)	(2,204,302)
Deferred tax expense	95,829	(223,730)
Deferred tax liabilities increase due to subsidiary acquisition	–	(29,696)
Deferred tax assets of subsidiaries disposed	(8,359)	–
Reclassification to liabilities of disposal group classified as held for sale	34,029	–
Net deferred tax liability at December 31	(2,336,229)	(2,457,728)

Included into non-deductible items are employee benefits expenses in amount 274,840 (2005 - 147,874) measured using the projected unit credit actuarial valuation method and included also the amounts of past service cost and actuarial gains/(losses) that can be recognized (amortized) in the reporting period.

31. Earnings per Share

Earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue during the period.

The calculation of basic and diluted earnings per preferred and ordinary share is presented below (earnings per share data are stated in Roubles):

	<u>2006</u>	<u>2005</u>
Profit for the year attributable to equity holders of the parent	828,719	1,902,961
Weighted average number of shares outstanding (thousands) (see Note 20)	40,134,723	40,134,064
Basic and diluted earnings per share attributable to equity holders of the parent, Russian Roubles	0.021	0.047

The Company has no dilutive potential relating to ordinary shares, therefore, the diluted earnings per share equal basic earnings per share.

32. Dividends Declared and Proposed for Distribution

Dividends declared in 2006 based on the 2005 results:

The annual shareholders’ meeting approved the following dividends based on 2005 results:

Dividends on ordinary shares – 0.01605 Roubles per share	<u>518,395</u>
Dividends on preference shares – 0.02802 Roubles per share	<u>219,562</u>
Total	<u>737,957</u>

Dividends paid to shareholders are determined by the Board of Directors and declared and officially approved at the annual shareholders’ meeting. Earnings available for dividends are limited to profits determined in accordance with the Russian statutory accounting regulations and earned by the Company. Dividends are accrued in the year they are declared and approved.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

33. Contingencies and Operating Risks

Operating Environment of the Company

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review.

Insurance Coverage

During 2006, the Company did not maintain insurance coverage on a significant part of its property, plant and equipment, business interruption losses, or third party liability in respect of property or environmental damage arising from accidents relating to the Company’s property or the Company’s operations. Until the Company obtains adequate insurance coverage, there is the risk that losses resulting from the destruction of certain assets could have a material adverse effect on the Company’s operations and financial position.

Legal Proceeding

During the year, the Company was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these consolidated financial statements.

The exception is the application for cancellation of Decision #12 of Tax Inspection #7 dated December 1, 2006 about prosecution of the Company for the violation of tax legislation based on results of field tax inspection for the years ended 2003-2005. In accordance to the decision additional tax were assessed in total amount of 561,332 and penalty amount was 107,358. The fine for delinquent taxes was assessed in amount of 87,871. Management believes that the Company has appropriate arguments to litigate possible tax claims. Nevertheless, due to the absence of the established legal practices with respect to such claims legal proceedings are currently largely uncertain.

Licenses

Substantially all of the Company’s revenues are derived from operations conducted pursuant to licenses granted by the Russian Government. These licenses expire in various years ranging from 2007 to 2013. Suspension or termination of the Company’s main licenses or any failure to renew any or all of these main licenses could have a material adverse effect on the financial position and operations of the Company.

The Company renewed these licenses on a regular basis in the past, and believes that it will be able to renew licenses without additional cost in the normal course of business.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

33. Contingencies and Operating Risks (continued)

Licenses (continued)

The Government of the Russian Federation is in process of liberalization of telecommunications market for which additional licenses on providing DLD/ILD has been granted to a number of alternative operators. It is possible that the Company’s future results of operations and cash flows could be materially affected by the increased competition in a particular period but the effect can not be currently determined.

Guarantees Issued

The Company granted credit line facilities provided by banks and local administrations to OJSC “RTC-Leasing”, CJSC RusLeasingSvyaz, LLC Express-Leasing, OJSC Khanty-Mansiyskaya leasing company. As of December 31, 2006 the total guarantees amounted to 2,761,800 (2005 – 2,948,366).

The Company issued the biggest guarantees for loans provided by Sberbank to OJSC “RTC-Leasing”, a lessor of telecommunication equipment. As of December 31, 2006 the total guarantees to OJSC “RTC-Leasing” amounted to 1,768,791 (2005 – 2,359,312).

34. Contractual Commitments

Operating Leases

As of December 31 the future minimum lease payments under non-cancellable operating leases are presented in the aggregate and for each of the following periods:

	<u>2006</u>	<u>2005</u>
	<u>Minimum lease payments</u>	<u>Minimum lease payments</u>
Current Portion	459,150	466,302
From 1 to 5 years	73,323	71,526
Over 5 years	22,731	38,830
Total	555,204	576,658

Capital Investments

As of December 31, 2006 and 2005, the Company has commitments for capital investments in modernization and expansion of its network in the amount of 5,144,154 (2005 – 686,470), including capital investments for provision of the universal service in amount of 4,772,018.

Acquisition of Fixed Assets

As of December 31, 2006 and 2005 the Company has commitments for the purchase of fixed assets in the amount of 6,795 (2005 – 24,987).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

35. Balances and Transactions with Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related parties may enter into transactions which unrelated parties may not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for the related parties with whom the Company entered into significant transactions or had significant balances outstanding at December 31, 2006 are detailed below.

Rendering Services

The Company rendered services to the following related parties during the year ended December 31:

Related party	Relationship	Type of sales	2006	2005
OJSC “Rostelecom”	Controlled by Svyazinvest	Telecommunication services, agent agreement, rent of premises, other	4,193,345	984,722
CJSC “Ural Telephone Company”	Associate company	Telecommunication services, rent of premises, Agent agreement, energy, joint activity, inventory, dividends	136,398	94,630
OJSC “Tatincom-T”	Associate company	Rent of premises	37,681	17,442
CJSC “Rostelegraph”	Controlled by Svyazinvest	Telecommunication services, dividends	31,183	19,784
OJSC “Natsionalnaya taksophonnyaya set”	Controlled by Svyazinvest	Telecommunication services, agent agreement	3,374	158
CJSC “TeleRos-Tyumen”	Associate company	Telecommunication services, rent of premises, agent agreement, dividends, other	3,271	4,875
OJSC “Giprosvyaz”	Controlled by Svyazinvest	Sale of fixed assets	3,171	–
OJSC “Svyazintech”	Other equity investment	IT consulting	1,066	–
CJSC “Kurganskiy Mobile”	Associate company	Telecommunication services, rent of premises	314	161
CJSC “TeleRos-Ekaterinburg”	Associate company	Telecommunication services, rent of premises	182	204
CJSC “Ural-Teleservice”	Associate company	Telecommunication services, rent of premises, agent agreement, dividends	–	1,869
CJSC “Nizhegorodskiy Mobile”	Controlled by Svyazinvest	Telecommunication services	–	86
Non-commercial partnership “Center for Research of Problems in Development of Telecommunications”	Controlled by Svyazinvest	Rent of premises, telecommunication services	–	56

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

35. Balances and Transactions with Related Parties (continued)

Purchases

The following related parties rendered a significant amount of services to the Company during the year ended December 31:

Related party	Relationship	Type of sales	2006	2005
NPF “Telecom-Soyuz”	Controlled by Svyazinvest	Defined benefit plan payments	314,153	160,890
OJSC “Svyazintech”	Other equity investment	IT consulting	305,929	–
Non-commercial partnership “Center for Research of Problems in Development of Telecommunications”	Controlled by Svyazinvest	Membership fee, agent agreement, non-current assets	226,911	226,573
OJSC “Rostelecom”	Controlled by Svyazinvest	Telecommunication services, fixed assets, rent of premises, other	180,070	3,213,765
CJSC “Rostelegraph”	Controlled by Svyazinvest	Telecommunication services, inventory, other	34,167	30,005
CJSC “Ural Telephone Company”	Associate company	Telecommunication services, agent agreement, other, rent of premises	31,586	35,690
OJSC “Giprosvyaz”	Controlled by Svyazinvest	Sale of fixed assets	17,590	7,379
OJSC “Natsionalnaya taksophonnaya set”	Controlled by Svyazinvest	Rent of premises, telecommunication services	7,016	2,843
CJSC “Globaltel”	Controlled by Svyazinvest	Telecommunication services	72	847
CJSC “Kurganskiy Mobile”	Associate company	Telecommunication services	8	8
OJSC “Tatincom-T”	Associate company	Construction	3	558
CJSC “Ural-Teleservice”	Associate company	Agent agreement, telecommunication services	–	2,265

Accounts Receivable

Significant balances of accounts receivable from related parties were as follows as of December 31:

Related party	Relationship	Type of receivables	2006	2005
OJSC “Rostelecom”	Controlled by Svyazinvest	Telecommunication services, rent of premises	414,292	57
Non-commercial partnership “Center for Research of Problems in Development of Telecommunications”	Controlled by Svyazinvest	Membership fee, agent agreement, non-current assets	107,475	–
OJSC “Svyazintech”	Other equity investment	IT consulting	38,854	–
CJSC “Ural Telephone Company”	Associate company	Telecommunication services, rent of premises, agent agreement, joint activity	16,851	11,426
CJSC “Rostelegraph”	Controlled by Svyazinvest	Telecommunication services	2,033	773
OJSC “Natsionalnaya taksophonnaya set”	Controlled by Svyazinvest	Telecommunication services, agent agreement	1,882	772
CJSC “Ural-Teleservice”	Associate company	Telecommunication services, rent of premises, agent agreement	544	493
CJSC “TeleRos-Tyumen”	Associate company	Telecommunication services	417	758
OJSC “Giprosvyaz”	Controlled by Svyazinvest	Telecommunication services	391	479
CJSC “Kurganskiy Mobile”	Associate company	Telecommunication services, rent of premises, other	106	1,001
CJSC “Globaltel”	Controlled by Svyazinvest	Telecommunication services	92	104
CJSC “TeleRos-Ekaterinburg”	Associate company	Telecommunication services, rent of premises	1	22

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

35. Balances and Transactions with Related Parties (continued)

Accounts Payable

As of December 31, 2006 and 2005 significant balances of accounts payable to related parties were as follows:

Related party	Relationship	Type of payables	2006	2005
OJSC “Rostelecom”	Controlled by Svyazinvest	Telecommunication services, rent of premises, other	48,494	153,388
OJSC “Svyazintech”	Other equity investment	IT consulting	23,346	–
Non-commercial partnership “Center for Research of Problems in Development of Telecommunications”	Controlled by Svyazinvest	Membership fee, agent agreement, non-current assets	20,000	–
CJSC “Rostelegraph”	Controlled by Svyazinvest	Telecommunication services	1,030	2,554
CJSC “Ural-Teleservice”	Controlled by Svyazinvest	Telecommunication services, agent agreement, other	84	84
CJSC “Ural Telephone Company”	Controlled by Svyazinvest	Telecommunication services, rent of premises, agent agreement, other	26	4,262
CJSC “Globaltel”	Controlled by Svyazinvest	Telecommunication services	25	6
OJSC “Giprosvyaz”	Controlled by Svyazinvest	Telecommunication services	–	267
CJSC “Nizhegorodskiy Mobile”	Controlled by Svyazinvest	Telecommunication services	–	167
OJSC “Natsionalnaya taksophonnyaya set”	Controlled by Svyazinvest	Agent agreement	–	19

Outstanding balances at the year-end are unsecured, interest free and settlements occur in cash. There have been no guaranties provided or received for any related party receivables or payables. For the year ended 31 December 2006, the Company has not made any provision for doubtful debts relating to amounts owned by related parties (2005 – nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

OJSC Svyazinvest

The Company’s parent entity – Svyazinvest - was wholly owned by the Russian Government until July 1997, when the Government sold 25% plus one share of the Charter Capital of Svyazinvest to the private sector.

An effectively operating telecommunications and data transmission facility is of great importance to Russia for various reasons including economic, strategic and national security considerations. Consequently, the Government has and may be expected to continue to exercise significant influence over the operations of Svyazinvest and its subsidiary companies.

The Government’s influence is not confined to its share holdings in Svyazinvest. It has general authority to regulate tariffs, including domestic long distance tariffs. In addition, the Ministry of Information Technologies and Communications of the Russian Federation has control over the licensing of providers of telecommunications services.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

35. Balances and Transactions with Related Parties (continued)

Accounts Payable (continued)

OJSC Rostelecom

Rostelecom, a majority owned subsidiary of Svyazinvest, is the primary provider of domestic long distance and international telecommunications services in the Russian Federation. The annual expense associated with traffic carried by Rostelecom and terminated outside the Company’s network is stated as interconnection charges. Further, Rostelecom uses the Company’s network to provide incoming long-distance and international traffic to its subscribers and partner operators.

The corresponding amounts reported in the consolidated financial statements as at December 31, 2006 and 2005 and for the years then ended equaled:

	2006	2005
Expenses on interconnection and rent of channels OJSC “Rostelecom”	(180,070)	(3,213,765)
Revenue received from OJSC “Rostelecom”	4,193,345	984,722
Accounts payable to OJSC “Rostelecom” as of December 31	(48,494)	(153,388)
Accounts receivable from OJSC “Rostelecom” as of December 31	414,292	57

Accounts payable to OJSC “Rostelecom” as of December 31, 2006 includes provision in amount of 40,000 related to expenses for actually received long-distance calls in 2006.

Transactions with Government Organizations

Government organizations are a significant element in the Company’s customer base, purchasing services both directly through numerous authorities and indirectly through their affiliates. The Company also renders services to other state-owned entities. Certain entities financed by the Government budget are users of the Company’s network. These entities are generally charged lower tariffs as approved by the Federal Antimonopoly Agency than those charged to other customers. In addition, the Government may by law require the Company to provide certain services to the Government in connection with national security and the detection of crime.

Within the framework of operating activity, the Company carries out transactions with other companies, which are directly or indirectly controlled by the Government.

The Company does not perform activity or part of the activity through the companies, direct or indirect controlled by the Government.

The Company carries out transactions with the companies, direct or indirect controlled by the Government, exclusive on competitive environment.

The companies, direct or indirect controlled by the Government, do not affect on transactions of the Company with the other entities.

The Company does not have the opportunity to turn out the companies strategic for the Government by virtue of Government’s decision. Tariffs for such companies also established by the controller at the level the same as for commercial organizations.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

35. Balances and Transactions with Related Parties (continued)

Accounts Payable (continued)

As of December 31, 2006 and 2005, significant transactions between the Company, the Government and entities controlled by the Government were as follows:

Type of transactions	As of December 31, 2006		2006	
	Accounts receivable	Accounts payable	Revenues	Expenses
Telecommunication services	–	–	629,840	18,962
Interconnection charges	–	–	30,869	21,060
Other operating expenses	–	–	27,143	127,409
Other revenues	–	–	40,362	90
Accounts receivables	64,266	–	–	–
Utilities expenses	–	–	–	450,308
Rent	–	–	–	57,844
Other expenses	–	–	–	62,119
Accounts payable	–	31,341	–	–

Type of transactions	As at December 31, 2005		2005	
	Accounts receivable	Accounts payable	Revenues	Expenses
Telecommunication services	–	–	766,870	46,601
Interconnection charges	–	–	33,451	24,450
Other operating expenses	–	–	2,227	74,780
Other revenues	–	–	36,585	98
Accounts receivables	76,819	–	–	–
Utilities expenses	–	–	–	375,992
Rent	–	–	–	45,099
Other expenses	–	–	–	106,738
Accounts payable	–	41,630	–	–

Government subscribers and tariff compensation accounted for approximately 2% of gross trade accounts receivable as of December 31, 2006 (2005 – 3%). Amounts outstanding from government subscribers and debt of social security organizations with regard to compensation of expenses related to granting privileges to certain category of subscribers, as of December 31, 2006 amounted to 1% (2005 – 1%).

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

35. Balances and Transactions with Related Parties (continued)

Accounts Payable (continued)

Non-commercial partnership Centre for Research of Problems in Development of Telecommunications

The non-commercial partnership Centre for Research of the Problems in Development of Telecommunications (hereinafter “the Partnership”) is an entity OJSC “Svyazinvest” controls through its subsidiaries. The Company has an agreement with the Partnership, under which it provides funding for industry research and common administrative activities on behalf of the Company and other subsidiary and associates of Svyazinvest. Payments to the Partnership included in other operating expenses in the accompanying consolidated Income Statement for the year ended December 31, 2006 amounted to 226,911 (2005 – 226,573).

Non-government pension fund “Telecom-Soyuz”

The Company signed several pension agreements with Non-government pension fund “Telecom-Soyuz” (see Note 25). OJSC “Svyazinvest” holds the majority in the Board of Directors of NPF Telecom-Soyuz. Payments from the Company to NPF Telecom-Soyuz in 2006 amounted to 294,301 (2005 – 65,304).

Compensation to Key Management Personnel

Key management personnel comprise members of the Management Board and the Board of Directors of the Company, totalling 21 and 23 persons as of December 31, 2006 and 2005, respectively. Total compensation to key management personnel included in “Wages, salaries, other employee benefits and payroll taxes” in the Income Statement for the year ended December 31, 2006 amounted to 101,172 (2005 – 85,479). It consists of contractual salary and performance bonus depending on operational results.

36. Financial Instruments

The Company’s principal financial instruments comprise bank loans, finance leases, bond issued and cash and short-term deposits. The main purpose of these instruments is to raise finance for the Company’s operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Foreign Exchange Risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect items in the Company’s income statement, balance sheet and/or cash flows. Foreign currency denominated liabilities (see Notes 21, 22 and 23 give rise to foreign exchange exposure.

The Company does not have arrangements to mitigate foreign exchange risks of the Company’s operations.

As at December 31, 2006 Company’s liabilities in foreign currency were 2,004,829 (2005 – 2,219,045), including liabilities denominated in US dollars 228,909 (2005 – 675,226) and Euro 1,775,920 (2005 – 1,543,819).

For the period from January 1, 2006 to December 31, 2006 exchange rate of the Russian Rouble to US Dollar increased by approximately 9% and exchange rate of the Russian Rouble to Euro decreased by approximately 2%. Possible decrease in the exchange rate of the Russian Rouble may lead to an increase in the amount of the Company’s borrowings, as well as will cause difficulties in attraction of funds including funds required for refinancing of the existing debt.

The Central Bank of Russia set up strict rules referring to regulation of transactions in foreign currency with the purpose of stimulation of commercial use of Rouble. This regulation previews restrictions of Rouble

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

36. Financial Instruments (continued)

conversion into hard currency and presents guidelines for conversion of revenue in hard currency into Roubles.

Interest Rate Risk

An interest rate risk is the risk that changes in the market interest rates may negatively impact the Company’s financial results.

Interest rate risk relates to liabilities with floating interest rate denominated in US Dollars and Euros. Floating rate for Company’s liabilities is generally determined based on EURIBOR and MosPrime Rate.

The following table presents the carrying amount by maturity of the Company’s financial instruments that are exposed to an interest rate risk:

	<u>< 1 year</u>	<u>1–5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of December 31,2006:				
<i>Fixed rate</i>				
Short-term obligations	(1,265,201)	–	–	(1,265,201)
Long-term obligations	(4,391,603)	(13,657,246)	(755,915)	(18,804,764)
Finance lease obligations	(1,012,698)	(1,753,358)	–	(2,766,056)
<i>Floating rate</i>				
Long-term obligations	–	–	–	–
	(338,379)	(2,351,189)	(310,386)	(2,999,954)
	<u>< 1 year</u>	<u>1–5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of December 31,2005:				
<i>Fixed rate</i>				
Short-term obligations	(1,817,077)	–	–	(1,817,077)
Long-term obligations	(5,170,093)	(13,706,112)	–	(18,876,205)
Finance lease obligations	(786,239)	(1,466,653)	(13,224)	(2,266,116)
<i>Floating rate</i>				
Long-term obligations	(241,704)	(823,121)	(135,531)	(1,200,356)

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to an interest rate risk.

The Company has no significant interest-bearing assets other than those presented above.

Credit Risk

A credit risk is the risk that a counter-party will fail to discharge an obligation and cause the Company to incur a financial loss.

Financial assets, which are potentially subject to a credit risk, consist principally of trade receivables. The carrying amount of accounts receivable, net of provision for impairment of receivables, represents the maximum amount exposed to a credit risk. The Company has no significant concentrations of a credit risk due to the significance of the client base and regular monitoring procedures over the customers’ and other debtors’ ability to pay debts. A part of the accounts receivable is represented by debts of state and other non-commercial organizations. Recovery of these debts is influenced by political and economic factors, however, management believes that as of December 31, 2006 there is no significant risk of loss to the Company beyond the provision already recorded.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

36. Financial Instruments (continued)

Credit Risk (continued)

Financial instruments which can lead to credit risk generally presented by trade accounts receivables and other accounts receivables. Credit risk related to such assets has the limited nature in connection with significant client base of the Company and constant control procedures over borrowing capacity of the customers and other borrowers.

The Company places available cash on bank accounts in a number of Russian commercial financial institutions. Insurance of bank accounts is not provided by financial institutions operating in Russia. To manage a credit risk the Company places cash in different financial institutions, and the Company’s management analyzes the risk of default of these financial institutions on a regular basis.

Fair Value of Financial Instruments

Fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (except for forced sale or liquidation). Market prices are considered to be the best evidence of fair value.

Set out below is a comparison by category of carrying amounts and fair values of all of the Company’s financial instruments:

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments				
Financial Assets				
Investments in associates	418,808	418,808	417,056	417,056
Long-term investments available for sale	38,808	38,808	41,084	41,084
Long-term accounts receivable	276,860	276,860	396,618	396,618
Long-term borrowings given	253,859	253,859	449,785	449,785
Accounts receivable	2,266,827	2,266,827	1,813,575	1,813,575
Cash and cash equivalents	645,574	645,574	487,473	487,473
Total	3,900,736	3,900,736	3,605,591	3,605,591
Financial Liabilities				
Long-term bank loans	10,108,502	10,108,502	7,308,631	7,308,631
Long-term bonds	6,829,078	6,829,078	6,838,793	5,586,409
Long-term promissory notes	–	–	419,011	419,011
Long-term suppliers' credits	–	–	16,890	16,890
Long-term restructured customer payments	53,084	53,084	81,439	81,439
Long-term other loans	84,072	84,072	6,000	6,000
Long-term finance lease obligations	1,753,358	1,753,358	1,479,877	1,479,877
Accounts payable	–	–	4,564,861	4,564,861
Short-term loans	740,000	740,000	1,137,609	1,137,609
Short-term promissory notes	55,288	55,288	–	–
Short-term suppliers' credits	469,605	469,605	675,935	675,935
Current portion of long-term bank loans	697,878	697,878	822,894	822,894
Current portion of long-term bonds	3,213,830	3,213,830	3,321,854	2,681,591
Current portion of long-term promissory notes	593,713	593,713	975,973	975,973
Current portion of long-term suppliers' credits	181,741	181,741	291,076	291,076
Current portion of restructured customer payments	4,048	4,048	–	–
Current portion of other loans	38,771	38,771	–	–
Current portion of long-term finance lease obligations	1,012,698	1,012,698	786,239	786,239
Total	25,835,666	25,835,666	28,727,082	26,834,435

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

36. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

Carrying amounts of monetary assets and liabilities approximate their fair values; monetary assets and liabilities denominated in foreign currency are retranslated at Russian Roubles rate of exchange ruling at December 31, 2006.

Carrying amount of cash and cash equivalents approximates their fair value due to their short-term nature and minimal credit risks.

37. Subsequent Events

Sale of Shares in OJSC “Permtelecom” and OJSC “Tatincom-T”

OJSC “Firma Permtelecom”

The Company made a decision to terminate participation in OJSC “Permtelecom” by sale of 100% stake on March 20, 2007. As of June 15, 2007 the sale price has not been determined by the Company.

OJSC “Tatincom-T”

The Company terminated its participation in OJSC “Tatincom-T” by disposal of 33.43% stake on March 30, 2007 to OJSC “Volgatelecom”. As of June 15, 2007 the transaction terms have not been yet determined.

Dividends

Amount of dividend in respect of 2006 will be approved by general meeting of stockholders on June 15, 2007. Presumable amount of dividend per share that will be proposed by Board of Directors for approval during general meeting of stockholders is 0.016393 rouble per one ordinary share and 0.026606 rouble per preferred stock.

The total amount of dividends will be equal to 737,957. After approval by general meeting of stockholders dividends payable will be reflected in financial statements for 2007.

Changes in Settlements with OJSC “Rostelecom” in 2007

Federal Law #119-FZ dated July 22, 2005 introduced amendments to the Tax Code effective from January 1, 2007. According to these amendments new rules of VAT offset for non-cash settlements (including settlements using mutual offsets) are set.

Starting from January 1, 2007 VAT may be offset only after factual payments of the tax to supplier. As a result settlements between OJSC “Rostelecom” and the Company changed with regard to cancellation of mutual offsets.

Tariffs for Telecommunication Services

The Degree of Federal Service on tariffs #278-c2 dated November 17, 2006 set new tariffs for local and interzone telephone services rendered by the Company and the amount of compensation surcharge that is included to tariffs for local and interzone calls initiation services at 0.44 Roubles per minute (2005 - 0.54 Roubles per minute). The Company envisages decrease in revenues from interzone calls initiation services due to decrease in compensation surcharge.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

37. Subsequent Events (continued)

Tariffs for Telecommunication Services (continued)

The following tariff plans are set for the Company:

- for subscribers - individuals: three obligatory tariff plans (with time-based, fixed and combined pay terms);
- for subscribers – legal entities: one obligatory tariff plan (with time-based pay terms).

Monthly payment for local telephone services comprises of obligatory payment for the services “Provision of subscriber line” and “Provision of local telephone connection” (depending on type of pay terms).

Tariff plan with fixed pay terms is primarily oriented for subscribers performing many calls who do not limit themselves in using telephone services. This tariff plan provides to subscribers unlimited volume of minutes per month for fixed monthly fee.

Tariff plan with time-based pay terms stipulates payments for each minute of calls, calls with duration of less than 6 seconds are not billed.

Tariff plan with combined pay terms stipulates base monthly volume of minutes (360 – 380 minutes per month) for fixed fee and payments for each minute in excess of base limit at a decreased rate. So, subscribers will be charged less for additional minutes.

The above mentioned tariff plans are introduced in municipally formations where technical capabilities of capturing call duration data exists. Where there are no technical capabilities of capturing calls duration data subscribers are offered fixed pay terms at tariffs set by Federal Service on Tariffs which are effective from February 1, 2007.

New Provisions of the Federal Law on Communication

Federal Law #14-FZ dated February 9, 2007 introduced amendments to Federal Law #126-FZ “On Telecommunications” dated July 7, 2003. The amendments are effective from July, 2007 and comprise the following:

- obligatory evaluation of connection network system project on compliance with requirements to telecommunications industry. The evaluation is performed in manner prescribed by the Government of the Russian Federation;
- registration of electrical telecommunication networks of the operators which join telecommunication network of public use. The registration is to be performed in a manner prescribed by the Government of the Russian Federation.

The Company can not reliably measure the effects of the changes on the financial position and financial results of the Company due to the fact that the manner of evaluation of connection network system projects and registration of telecommunication networks is not developed by the Government of the Russian Federation.

According to the amended Federal Law “On telecommunications” electrical telecommunication networks constructed after the above changes come into force are to be registered not later than January 1, 2010.

OJSC “Uralsvyazinform”

Notes to the Consolidated Financial Statements (continued)

(in thousands of Russian Roubles)

37. Subsequent Events (continued)

New Provisions of the Federal Law on Communication (continued)

Rendering of Universal Telecommunication Services

In 2006 the Company won the tenders for rendering universal telecommunication service using payphones in Ural region and started provision of the services from January 1, 2007. During 1st quarter 2007 539 payphones were installed. By September 1, 2007 the Company plans to install and put in operation remaining 6,161 payphones. According to contract with Federal Communications Agency the Company will install 8,238 payphones for rendering Universal telecommunication services. The Company plans to invest 4.77 billion Roubles for the purpose of implementation of this project.